

AMERICAN LIFE CONVENTION NUMBER

The National Underwriter

LIFE INSURANCE EDITION

SATURDAY, OCTOBER 10, 1931

THREE NEW CONTRACTS

Juvenile Insurance— Children 1 day to 10 years. A wide variety of limited pay life and endowment forms easily adapted to educational advantages.

Coupon Policy— Combines investment, savings and protection elements in an ideal degree. This policy is proving popular with agents and prospects alike. It sells.

Income Endowment— Combines life insurance protection with old age income; protects family against loss of earning power of father; and guarantees old age independence of insured.

These new contracts have been added to meet current demands.

KANSAS CITY LIFE INSURANCE COMPANY

Home Office: 3520 Broadway
KANSAS CITY, MISSOURI

J. B. REYNOLDS,
President

C. N. SEARS,
Secretary

Address Agency Communications to
J. F. BARR, Vice-Pres. & Supt. of Agents

Old Friends Are Best

THE qualities of old friends have been tested and retested through glad times and bad times.

Whatever may happen, they are always to be depended upon.

Throughout eighty years this Company has occupied a niche reserved for an "Old Friend" in the minds of thousands of patrons. And this "Roll of Friendship" is continually increasing.

Massachusetts Mutual Life Insurance Company

Springfield, Massachusetts

Organized 1851

We Have Room in Our Agencies for Progressive Young Men

A Fraternity—

Is a body of men associated together for a common interest; but

The Legal Reserve Life Insurance Companies of the United States constitute a typical association among corporations. Fellowship and loyalty exist between them in support of a great, common interest, nurtured by an attendant impulse to find the correct solutions of mutual and vital problems, and strengthened by a consummate sense of deep, public responsibility.

Once more, it is a genuine privilege for The Northwestern Mutual Life Insurance Company to offer its sincere greetings to the constituent members of the American Life Convention, and its hearty congratulations to them for the splendid record of achievement to which they have attained in these disconcerting days.

Once more, the Legal Reserve Life Insurance System has stood the test and has emerged triumphantly intrenched in the estimation of the great American public.

THE NORTHWESTERN MUTUAL LIFE
INSURANCE COMPANY

MILWAUKEE, WISCONSIN

Tribute

THERE is often much truth buried in a platitude. We utter one now. "What is to the best advantage of the institution of life insurance is to the ultimate best advantage of the individual life insurance company." ¶ Therefore, as an individual company, we consider it fair, proper, and fitting at this time publicly to voice our appreciation of the works accomplished by the American Life Convention, the Association of Life Insurance Presidents, and the National Association of Life Underwriters. ¶ Sincere is our belief that the future activities of these bodies will demonstrate, even more conclusively than their past worthy efforts, their tremendous value to the life insurance business. ¶ More than ever before are needed the combined energies and thinking of the leaders in our field directed toward the solution of our common problems. ¶ The Illinois Life has faith in the ability and integrity of the American Life Convention, the Association of Life Insurance Presidents, and the National Association of Life Underwriters, and is optimistic as to the future success of these organizations. May their object ever be "good work well done." In the name of Life Insurance!

ILLINOIS LIFE INSURANCE CO.

ILLINOIS LIFE BUILDING CHICAGO 1212 LAKE SHORE DRIVE

Raymond W. Stevens, *President*

The National Underwriter

THIRTY-FIFTH YEAR
No. 41-A

CHICAGO, NEW YORK, CINCINNATI AND SAN FRANCISCO, SATURDAY OCTOBER 10, 1931
Office of Publication, 175 W. Jackson Boulevard, Chicago, Illinois

AMERICAN LIFE
CONVENTION NUMBER

Laird Is President of Life Convention

New A. L. C. Head Outstanding Man

Prominent in Actuarial Field—
Now Active Member of Ex-
ecutive Committee

BOONE IS NEXT IN LINE

Declined to Allow Presentation of His
Name This Year on Account of
His Wife's Health

*Convention Headquarters,
William Penn Hotel,
Pittsburgh, Oct. 9*

At the executive session of the American Life Convention this afternoon John M. Laird of Hartford, vice-president Connecticut General, was elected president. The new president is always a member of the executive committee who has had an insight into the organization's work. According to general procedure President Daniel Boone of the Midland Life was scheduled to become head of the American Life Convention this year. Owing to the serious illness of Mrs. Boone he hesitated to assume any additional duties but was reelected on the committee with the thought in mind that at next year's meeting he will be chosen president.

President C. L. Ayres of the American Life of Detroit, who was president of the Convention two years ago, retired from the executive committee at this meeting.

According to custom Col. C. B. Rob-

NEW OFFICERS ELECTED

PRESIDENT

John M. Laird, vice-president, Connecticut General Life

EXECUTIVE COMMITTEE

New Members—C. B. Robbins, president Cedar Rapids Life; Frank P. Manly, president Indianapolis Life; Daniel Boone, president Midland Life of Kansas City; Walter E. Webb, executive vice-president, National Life U. S. A.

Holdover Members—C. W. Gold, president, Pilot Life of Greensboro, N. C., and F. V. Keesling, vice-president, West Coast Life, San Francisco.

bins, this year's retiring president, was elected on the executive committee. The election of Mr. Laird as president of the convention left a vacancy on the committee which was filled by elevating Walter E. Webb, executive vice-president of the National Life of U. S. A., to the position. Mr. Webb was chairman of the program committee this year. He served as the first secretary of the Agency Section and last year was its chairman. He has appeared before the organization on its programs and has taken an active part in its deliberations.

Mr. Laird Has Had Wide Experience in Insurance

Mr. Laird is one of the outstanding younger executives in the east. He is a Canadian by nativity, having been born Feb. 20, 1885, at Bayfield, Ont. He graduated at the University of Toronto in 1906, getting a B. A. degree. Immediately on graduation he entered the service of the London Life of London, Ont. Four years later he connected with the Connecticut General and has been with that company ever since. In

1917 he was appointed actuary and later was elected vice-president.

He is a fellow of the Actuarial Society of America, American Institute of Actuaries and the Casualty Actuarial Society. He is an associate of the Institute of Actuaries of Great Britain. He is editor of "Transactions" of the Actuarial Society. He became a member of the executive committee of the American Life Convention in 1928. He was chairman of its disability committee for three years.

New President Has Contributed Much to Insurance Literature

Mr. Laird has contributed much to the literature of insurance, having appeared before many organizations with the results of his studies. The main subjects he has discussed are accident and health insurance, reinsurance, disability underwriting, noncancellable accident and health insurance, the pro rate clause in disability and overinsurance.

Aside from his prominence in insurance, Mr. Laird is active in Hartford.

(CONTINUED ON PAGE 14)

Develops Great Working Machine

American Life Convention Under
Present Organization Is
Rendering Real Service

REVIEW BIG PROBLEMS

Leaders of Business Pool Ideas on
Major Issues of Day—Program of
Meeting Overloaded

*Convention Headquarters
William Penn Hotel
Pittsburgh, Oct. 9*

The American Life Convention gathered momentum at this annual meeting and gave renewed evidence of the fact that it is now a great working machine and that these yearly gatherings are but an incident in its activity. The annual meeting is a review of the troops and the mobilization of the forces to demonstrate the numerical strength, intelligent power and business acumen of the association. The old single track organization was comparatively simple when one views the wonderful transcontinental system of today with its parallel tracks and modern equipment.

The American Life Convention with its sections and its various departments is certainly presenting a real service to its members and to the business at large. The American Service Bureau this year announced that it had paid off all the obligations and had a comfortable surplus. (CONTINUED ON PAGE 14)



JOHN M. LAIRD
Connecticut General Life
New President American Life Convention



C. B. ROBBINS
Cedar Rapids Life
Retiring President



WENDELL P. COLER
Secretary American Life Convention
St. Louis



JUDGE BYRON K. ELLIOTT
Manager and Counsel American Life
Convention

Agency Speakers Have One Session

Four Addresses by Big Men of
National Reputation on Friday
Morning Program

HULL TALKS FOR AGENTS

Grant, Bailey and Shepard Give Com-
pany Viewpoint—Conference Is
Held on "Twisting"

NEW OFFICERS ELECTED

Chairman—W. W. Jaeger, Bankers Life
of Iowa.
Secretary—James A. McLain, Guardian
Life.

Friday morning was given over en-
tirely to the Agency Section. The mem-
bers met Wednesday night for the elec-
tion of officers and there was a general
conference afterwards on twisting owing
to the present condition wherein so
many policyholders have borrowed on
their policies. However, Friday morn-
ing was the main time given to this sec-
tion.

R. B. Hull Outlines His Eight-Year Program

President Robbins introduced H. H.
Armstrong, vice-president of the Travel-
ers, the retiring chairman of the sec-
tion, who presided. There were four
addresses given by men of national rep-
utation, two of them being directly con-
cerned with agency work.

Managing Director Roger B. Hull of
the National Association of Life Under-
writers spoke on "An Eight-Year Plan
for the Agent." President W. T. Grant
of the Business Men's Assurance of
Kansas City, who gives much attention
to agency and production work, had as
his subject "Warming the House for
the Sales Force." Dr. W. B. Bailey,
economist of the Travelers, spoke on
"The Function of Life Insurance in our
Economic Era." W. T. Shepard, vice-
president Lincoln National Life, was the
last speaker, taking a subject that has
occupied much attention, "The Conser-
vation of Business."

Session Proves Most Helpful and Practical

The Agency Section meeting proved
to be one of the most helpful and prac-
tical of the whole convention. The
speakers dwelt on every day problems.
Chairman H. H. Armstrong, following
Major Hull's address, said he had
brought a message that would ring from
one end of the country to the other.
Mr. Armstrong is always a delightful
presiding officer, replete with amusing
stories, apt illustrations and finished
phrase. At the close of the session
President Robbins introduced the new
officials of the section.

Entertainment for the Ladies

The visiting ladies were shown many
courtesies by the Pittsburgh committee.
They were given a dinner at the William
Penn Hotel Tuesday evening and after-
wards taken to a theater. On Wednes-
day noon they were given a bridge
luncheon at the Pittsburgh Field Club.
Wednesday evening while the men were
attending meetings, the ladies were
taken to a theater to see "East Wind."
On Thursday morning the ladies were
taken on a sightseeing tour with lunch-
eon at the H. J. Heinz plant. The
Pittsburgh ladies committee consisted of
Mmes. E. A. Hill, J. C. Hill, J. N. Jam-
ison, R. C. Kneil, J. H. Layton, E. G.
McCormack, T. J. McKenna, C. A.
Richardson, B. L. Sichelstiel, W. J.
Snodgrass, E. C. Sparver, J. D. Van
Scoten, A. D. West.

Disability Report Given by Convention Committee

The disability committee of the Amer-
ican Life Convention headed by Chair-
man G. S. Nollen, president Bankers
Life of Iowa, made its report calling
attention to the increases and losses last
year and the still less favorable experi-
ence so far this year. The committee
said that it is a generally recognized
fact that unscientific practices resulting
from lack of experience have played a
large part in bringing about the un-
favorable results.

The committee then gave a history
of the provisions, reviewed premium
rates, showing that even the rates
adopted last year are inadequate. It
took up the question of underwriting,
stating that except those companies that
had accident and health departments,
little underwriting was done so far as
disability benefits are concerned but
they applied life insurance rules. Un-
til recently the committee said few com-
panies have had adequate claim depart-
ments equipped to determine the valid-
ity of each claim.

Unfavorable Consequences Have Now Followed

In consequence of these particular
practices unfavorable consequences have
followed.

1. A large part of the disability cov-
erage is being carried at inadequate
rates.

2. The failure to exercise more cau-
tion in adopting and, especially, in li-
beralizing the disability provisions, has
also contributed to the unfavorable ex-
perience.

3. The unduly liberal underwriting
practices of the past have had a double
significance with respect to the high
loss ratio: First, the effect of the com-
pany's underwriting practices on its loss
record; and second, the effect of those
practices on the loss records of other
companies insuring the same lives.

Unfavorable Results for All Companies

4. In the settlement of disability
claims there is an element of interde-
pendence between companies which has
affected results. The lack of experi-
ence in handling these claims and the
unduly liberal practices of some com-
panies in adjustment have been factors
in bringing about the unfavorable re-
sults of all companies.

5. The disturbing increase in the
losses experienced since the beginning
of the present economic depression may
be charged to the inevitable conse-
quences of such a depression. While
the depression has had its effect, the
committee declares the unfavorable re-
sults may be charged to the failure of
all companies to issue and administer
the income disability benefit on a con-
servative basis.

Recommendations Made by Eastern Conference

The committee called attention to the
conferences held in the east at which
certain suggestions were made in the
way of changes. These were as follows:

1. Establish age 50 as the maximum
for the issuance of new disability cov-
erage.

2. Establish \$5 instead of \$10 per
thousand as the monthly income benefit.

3. Extend the waiting period to six
months with presumption of perman-
ency, but without retroactive payments
prior to that time.

4. Require that disability must be-
gin prior to age 55 instead of 60.

5. For the above benefits, establish
rates approximately 75 percent of the
present maximum rates being charged
for the so-called standard clause, which
includes the \$10 monthly benefit. Ob-
viously, this would be an increase of
over 50 percent of the rate, because of
charging 75 percent of the present rates
for the restricted benefits paying only
one-half the monthly income now being
offered at the present rates.

The American Life Convention sent
out a questionnaire and it was found
that the opinion of both large and small
companies predominantly favors elim-
ination of the income disability benefit.

Recommendations and Conclusions Reached

The committee gives the following
conclusions and recommendations:

The many elements of uncertainty
now existing as to the unfavorable effect
of past unduly liberal practices make it
impossible for anyone to state with defi-
nite assurance that the income disability
benefit can or can not be issued on a
profitable basis. There is still a wide
difference of opinion among insurance
executives, including the members of

(CONTINUED ON PAGE 20)

Three Sections Heard Thursday

Speakers Represent Medical, Fi-
nancial and Office Manage-
ment Divisions

DISCUSS "AD" SECTION

Plan to Be Formulated and Presented
at Meeting of Executive Com-
mittee in December

Thursday morning's session was de-
voted to papers under the auspices of
three sections, Medical, Financial and
Home Office Management. Dr. L. G.
Sykes, Connecticut General Life, chair-
man of the Medical Section, introduced
Dr. S. J. Streight, assistant medical di-
rector of the Canada Life. Dr. Sykes an-
nounced that after a career of bachelor-
hood, Dr. Streight had married Sept. 16
and had his bride with him. Dr. Sykes
therefore led the applause of good wishes
for Dr. Streight. Dr. Streight spoke on
"The Human Element in Underwriting."

Minneapolis Bank President Was Interesting Speaker

George C. Holmberg, treasurer North-
western National Life and chairman of
the Financial Section, introduced Presi-
dent L. E. Wakefield of the First Nat-
ional Bank of Minneapolis, who by the
way is a stockholder and booster for the
Northwestern National Life. Mr. Wake-
field's address created much attention.
He said that in his early career he set
aside part of his income with which to
purchase life insurance holdings until
now the greater part of his estate con-
sists of life insurance. Mr. Wakefield
declared that the government expense
is entirely too high and out of all pro-
portions to what it should be. Taxation,
he said, has fallen too heavy on real
estate. He averred that banks and in-
surance companies as trustees of the
wealth of the people should do all in
their power to develop and maintain a
healthy public sentiment.

R. C. Neuendorffer, secretary Guard-
ian Life, who is chairman of the Home
Office Management Section, introduced
A. G. Borden of the Equitable Life of
New York, who has been 30 years with
the company. He has been a successful
personal producer, educator and trainer
of agents. He is the author of a num-
ber of insurance books which are re-
garded as standard. Among Mr. Bor-
den's present duties is supervision of the
conservation department and his talk
was devoted to conservation work.

Advertising Luncheon Presided Over by Jacobs

At noon Thursday there was a lunch-
eon for the state vice-presidents and for
members interested in forming an ad-
vertising section combined. Manager
Elliott introduced Lorry A. Jacobs, pub-
licity manager of the Southland Life of
Dallas, who stopped in Pittsburgh en
route home from the Insurance Ad-
vertising Conference meeting in To-
ronto, as presiding officer. He intro-
duced H. T. Leach, news editor of the
Pittsburgh "Press," who formerly
worked with Mr. Jacobs as a reporter in
the south.

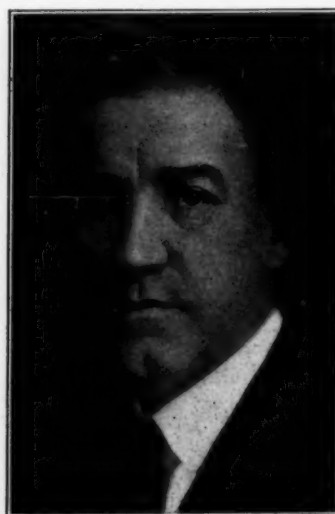
The chief address was given by Frank
A. Arnold, director of development for
the National Broadcasting Company of
New York, who has had 25 years ex-
perience in advertising and publicity. He
called attention to the development of
life insurance in recent years but said
it had not been kept abreast of the times
in its publicity possibilities. He said
that a great number of large corpora-

(CONTINUED ON LAST PAGE)

Chiefs of Agency Section



H. H. ARMSTRONG, Hartford,
Vice-President Travelers, Retiring
Chairman Agency Section



W. W. JAEGER, Des Moines,
Vice-President Bankers Life, New
Chairman Agency Section

Conservation Assumes Importance

Systems Reviewed by Neuendorffer

Three Main Points to Consider:
Issuance, Maintenance and
Reinstatement

THREE LAPSE REMEDIES

Primary Object Is to Serve Policyholder and His Family Says Section Chairman

Rudolph C. Neuendorffer, secretary Guardian Life of New York, presided over the Home Office Management Section's discussion of conservation. "The aim and object of all conservation activities," he said in introducing the subject, "is to serve the policyholder and his family, so that when he dies he will have insurance in an adequate amount, or should he become totally and permanently disabled, he will have coverage."

There are three points to consider in conservation, Mr. Neuendorffer said: Issuance, maintenance and reinstatement of policies.

The training and compensation of agents is the first point to be considered in conservation. The failure to sell the right kind and size of policy and the failure to closely contact the policyholder are basic lapse causes. Then there is the selection of contracts for the policyholder. One company reports double the annual lapse rate on semi-annual premium business and 142 percent greater lapses where premiums are paid quarterly. Policies below \$2,000, notes and term insurance cause lapses.

Type of Business That Stays on Books

"On the other hand," he reported, "we have favorable observations made with respect to the stick-to-itiveness of business: 1. Under applications with the first premium prepaid; 2. Under option of settlement business so written at the time of issue; 3. Under policies of \$10,000— and more; 4. Under monthly premium payments, though some of these may be subject to individual verification by individual companies."

There are four principal objectives in keeping business, which has passed the critical first two years, in force:

"1. Keep all policies free and clear from loan.

"2. Keep loans at a minimum amount.

"3. At all events, keep the policyholder on the books. If the principal amount of insurance cannot be kept up, the methods consist of a suitable change of plan or amount of insurance by re-writing.

"4. Inaugurate, guide and control the activities pertaining to the three preceding groups of lapse and surrender prevention."

"Lapses and surrenders are preventable to a degree through regulated home office methods of education, training, operation and cooperation. Among the foregoing, there are three major remedies for reduction of the number of lapses and surrenders.

"1. The premium extension instead of a permanent funding of a debt.

"2. The minimum loan as a preventative of surrender.

"3. The rewriting of the policy.

"1. The extension as a means of keeping

(CONTINUED ON LAST PAGE)

Client Must Have Right Conception of Life Insurance

Albert G. Borden, vice-president Equitable Life of New York, gave some interesting observations on "Conservation" in a talk to the Management Section Thursday. Two fundamental conservation maxims were offered by Mr. Borden: 1. "A policyholder—always a client," 2. "An ounce of prevention is worth a pound of restoration."

In order that a policyholder be always a client it is necessary that an agent coordinate his own interests in favor of his client and constantly offer him service. "What we mean to our policyholders," Mr. Borden quoted one agent as saying, "will determine what our policyholders will mean to us." Mr. Borden told of a New York agent who had written better than a million dollars of new business every year for five years and at the end of that time had over five million in force. This agent calls on policyholders a month or two before their premiums are due and vigorously canvasses them for new business. He does not always get a new policy but it does serve to keep the old business on the books.

Policyholder Must Have Right Conception of Insurance

It is necessary that a policyholder have the right conception of life insurance and that he regard it as tangible property. The policyholder must realize the value of his life insurance estate and the fact that he can absolutely rely on it for security and safety.

Policy loans should not be looked upon altogether as evil although they do account for a large number of lapses. The policy loans of 1929 and 1930 tided over many a family in a case of dire emergency. Mr. Borden told how one agent suggests to clients seeking policy loans that they borrow from the bank on their policies. The value of this plan is that the note is for a definite length of time and the policyholder is more apt to take it up sooner than if it had an indefinite time to run. It is too easy for a policyholder to defer the repayment of a loan from an insurance company.

Mr. Borden told how his company

New Methods Adopted to Keep Business on Books

Conservation practices have undergone a revolutionary change during the past two years, said L. J. Doolin, Life Insurance Research Bureau, in his talk to the Management Section. "The change was necessitated by conditions and circumstances demand attention and action. What was formerly a problem became an acute problem, and today one of the best sold ideas in the business is that a company should pursue an effective conservation program.

"A new definition of conservation has arisen and has been well accepted. You do not cure a man with delirium tremens by giving him bicarbonate of soda, but rather by having him stop drinking. Likewise conservation is described as what takes place before the policy lapses, as distinguished from reinstatement or what takes place after lapsation. Conservation work includes the preventative functions of a company, agency, or agent and involves all phases of agency operations.

Set Up Records to Learn Lapse Facts

"When the conservation problem became apparent many companies found themselves without records adequate to judge the conservation effectiveness of agencies and agents. Thus most companies have set up records to learn the lapse facts, and these old business records have become as valuable as are new business records to the agency vice-president. The basis of computation frequently varies between companies, but a large majority now maintain what seem to be comprehensive lapse records. The tendency is to compile such records monthly or quarterly, in order that the information may be current.

"The practices of companies have come to establish the conservation ma-

furnishes a termination record as well as a new business record to the home office through the agency cashier. In this manner the termination record is reviewed with each agency manager every quarter and a persistency honor roll of agencies is published.

chinery in the agency department since it is largely an agency problem and responsibility. It is generally believed among companies that those who are urging the production of new business should at the same time plead for the preservation of old business. In only a few companies is conservation carried on now under the actuarial or treasury department. The agency department is charged with both new business and old business. The double standard of production and persistency replaces the simple standard of new business by which many agency departments were judged formerly.

"A few months ago the Research Bureau inquired of a large number of companies as to what they were spending for conservation and reinstatement work. We had hoped to answer the question asked us by many "How much should we spend for conservation?" We thought we might find out what the most successful companies were spending and be able to answer the question in terms of so many cents per thousand in force. We found, however, that the companies spending the most had, as a rule, the highest lapse rates, and those spending the least had the lowest lapse rates. The conclusion was drawn that no matter how elaborate a system a company may have to collect due and overdue premiums, it may not be successful unless the company's representatives in the field cooperate fully. This was to us further evidence that the conservation problem can best be solved by the application of effective agency methods.

Conservation Is Placed Under Agency Department

"In order that a good conservation record may be assured, many companies have established a conservation department, operating under the agency department. The function of the conservation manager has been defined as not so much to actually conserve business as to teach others to conserve. He is to the conservation job what the educational director is to the training job—his principal work being to train others how to teach. The job of the conservation manager is semi-agency in nature.

"Some companies, even under present conditions, are maintaining a lapse record no higher than in former years. A few companies have even lower lapse records. In these companies, an executive impetus has been given to the conservation program by the president. One company explains its lower lapse rate by stating that the president and agency vice-president talked conservation, persistency, and quality on all agency visits and at all meetings.

"We find companies no longer interested in new business alone. They are considering not only the gross writings but the shrinkage. They are judging agencies and agents on the basis of net results. Lapse records disclose weak links in their organization chain. These records are being used just as new business records are used—to commend those doing a good job, and to correct those who are falling down. Honor rolls are being established to give publicity to those with good persistency records; club qualifications are being based on persistency as well as production, and it should be so. Promotion in some companies is based on production, persistency, and cost of business. Many companies are terminating those with excessive lapses the same as they

(CONTINUED ON PAGE 31)

Tell of Conservation Methods



R. C. NEUENDORFFER,
Secretary Guardian Life



L. J. DOOLIN
Life Insurance Sales Research Bureau

Officials Present Annual Messages

Life Insurance Advances Steadily Despite Times

Life insurance's record for the past year is one which the companies can well be proud of in view of the present business conditions, said Byron K. Elliott, manager and general counsel, in his annual report. "An appraisal of any business year must be comparative to a degree. Life salesmen have met the conditions of depression with more success than the emissaries of other businesses. The assets of life companies have increased approximately 8 percent. The business in force of the legal reserve companies has climbed steadily throughout the year. These factors are in the long run much more important than the fact that production of new business has suffered a decline of 13 percent."

Majority of Policy Loans Used to Good Advantage

"During the Convention year the nation again observed the performance of life insurance during a severe national depression. No tabulation can ever be made of all the individual financial crises which loans on policies enabled the business men of the country to tide over. Some life insurance money which was borrowed upon the security of policies was lost by the borrower, of course; but it may be said that a great part of the policy loans, which rose through the two and one-half billion mark, found its way into the small businesses of the country and saved for its owners the proprietorship which each had built up by hard work through the years. Money borrowed upon policies is emergency money, for men wisely take down a loan value after the exhaustion of other sources and only as a last resort. The shock of the depression has been severe; how much more crushing it would have been without the cushioning effect of policy loans!"

Far Different Picture Presented at Convention

The American Life Convention presents a far different picture than that of 20 years ago when it last met in Pittsburgh, said Judge Elliott. At the meeting then, although its membership was large in number its total business was small. Today the convention membership totals 138 companies with \$31,750,000,000 and admitted assets of \$4,500,000,000. Six new companies have been admitted to membership: the Aetna Life, Michigan Life, Home Life of Washington, American Union Life of Missouri, Gulf States Life of Dallas and the United Mutual Life of Indianapolis. Five member companies were merged with other member companies during the past year and applications for membership from eight additional companies are now being considered.

Judge Elliott quoted from THE NATIONAL UNDERWRITER's Life Payments Localized Number and told how the American people received \$2,642,000,000 in life insurance payments during 1930 or an increase of 20 percent. Despite large amounts in payments, a respectable gain in total insurance in force was made.

Life Insurance Is a Challenge to Communism

The admitted assets of legal reserve life companies have now passed the \$20,000,000 mark. "These aggregate reserve resources will be improved constantly until eventual distribution among more than half the population of the country in average amounts of less than \$1,000 per individual. The system of

legal reserve life insurance is the most potent machine ever devised by man to maintain a distribution of wealth among a nation's citizens. Life insurance accumulates wealth only to preserve and increase it for a distribution rivaled in breadth and scope only by the census. Let the communists who cry for redistribution of wealth observe the institution of life insurance.

Disability Most Discussed Question of the Day

"No topic has been more discussed, analyzed, spoken about, written upon or feared in life insurance quarters than income disability. A large number of companies discovered in it a source of great potential loss, and, in many cases, present loss. Payments upon disability claims advanced to a total sum in excess of \$50,000,000, and displayed an increase of 56 percent over the previous year. The upward trend, although made more critical by the business depression and the lack of employment, gives promise of continuing to increase its rate in the next few years. Coupled with this unavoidable increase is the constant threat of suits similar to the Rascoe case (Federal Life v. Rascoe), where a judgment for a large sum was obtained upon the theory of an anticipatory breach and the commutation of future payments. Outright denial of liability upon a disability claim may lay the basis for such a suit.

"The discussions of available means to meet the mounting losses upon income disability naturally fall into two distinct groups. The treatment of existing business presents very few new possibilities other than a stricter handling of claims. Many expressions are heard to the effect that disability claims must be handled in a manner similar to the system used by health and accident companies. Specialized training and frequent inspections and investigations are looked upon with more favor. Back of this phase of the problem lies the thought that too strict a handling of disability claims may result in impairing a valuable public opinion, built up through the years, to the effect that a life company pays without argument. This apprehension seems to lend itself to overemphasis, for the contest of unjust claims can only inure to the credit of the companies.

Majority Favor Immediate Discontinuance of Benefit

"The form of the disability contracts now on the books cannot be changed; but if any improvement is possible, future business can embody it. The opinion which has received the most widespread acceptance during the year is that income disability should be abolished entirely and only waiver of premium retained in the future. Hesitancy to take this step is based primarily upon the fear of competitive conditions should there be no general concerted movement in that direction, and secondarily upon the reluctance to desert a field in which a valuable, though perhaps costly, public service, is being rendered. In a survey of the sentiment existing among American Life Convention companies in July of this summer, 77 percent of the 111 companies expressing an opinion favored the immediate discontinuance of the income disability benefit. Earlier in the year there had been several meetings of actuaries and company officials in the east, where a majority opinion

(CONTINUED ON PAGE 28)

Prepared Program



WALTER E. WEBB
National Life, U. S. A.

Confer on Proposal for New Industrial Section

A small group of company officials interested in the proposition to form a new industrial section met Wednesday afternoon. Manager B. K. Elliott of the American Life Convention made the opening statement, declaring that the executive committee desired to get an expression from members writing industrial insurance as to the advisability of having such a section. W. J. Bradley of the Home Life of Philadelphia acted as chairman. Unfortunately there were but five companies represented, the Equitable Life of Washington, Home Life of Philadelphia, Pilot Life of Greensboro, National Life & Accident and Life & Casualty. However Mr. Bradley had received letters from all companies in the organization writing industrial insurance and stated that 10 replies out of 12 were favorable for the organization of such a section.

President Wills of the National Life & Accident and Vice-Presidents O. P. Grant and P. M. Estes of the Life & Casualty opposed the formation of a new section, suggesting that the companies writing industrial life insurance should join the Industrial Insurers Conference, which while having given its attention to industrial health and accident, is willing to enlarge its scope and cover industrial life as well.

By a vote of three to two it was decided to petition the executive committee of the American Life Convention to form an industrial life section.

PITTSBURGH PICKUPS

Judge Byron K. Elliott of the American Life Convention was introducing outside the convention hall Byron K. Elliott of Pittsburgh, well known optician, whose home was at Hagerstown, Ind., near Richmond. The two Byron K's are not related and their possessing the same name is merely a coincidence. Byron K. of Pittsburgh has a son Byron K., Jr., who is a freshman at Princeton.

Some of the executives who are not attorneys attended the Legal Section religiously, such as President H. B. Hill, Abraham Lincoln Life; R. J. Giles, Occidental Life of Los Angeles; Vice-President E. L. Trinkle and Actuary L. St. J. Thomas of the Shenandoah Life; Vice-President Millair, George Washington Life.

Life Insurance Stands Out Alone

Only Institution That Withstood Economic Depression, Says President Robbins

SEES LET UP IN LOANS

Investments Should Be Watched with Care to Retain the Confidence of Millions

Life insurance men should take great pride in the fact that their institution is the only one that has withstood the assaults of the depression, said Charles B. Robbins in his presidential address at Wednesday's session.

"The life insurance dollar has remained constant," he said, "always worth 100 percent to the fortunate men or women who have invested their savings therein. It should be our first duty to see to it that no matter how strict are the economies which must be practiced by our companies, we must maintain the standard of safety of life insurance investments, and see to it that the confidence of many, many millions of Americans has not been misplaced."

Difficulties of Past Year Are Reviewed

Mr. Robbins briefly reviewed the period of unexampled prosperity and the high standards of living which had been attained previous to 1929. "During the past year," he continued, "we have experienced such an era of depression to an extent that the nation has not experienced since the days of the early '90s. Thousands of banks have failed; stocks are selling at unheard of prices and declined to almost nothing; farm mortgages which had always been considered as safe a form of investment as could be made, have resulted in thousands of foreclosures; the bond market has declined until there seems to be no bottom. Due to all these things, the confidence of the people of the United States has been shaken in our financial institutions. Wholesale hoarding of currency has been common, and it has been difficult for the business to overcome this handicap.

Investments Should Be Safeguarded with Great Care

"Greater care than ever should be taken in the investment of life insurance funds," declared President Robbins.

"All unnecessary or even border line expenses should be dispensed with and complete solvency at all times be the only standard to be considered.

"A matter of growing concern is the tremendous increase in policy loans which is still continuing. But we must remember that when a laboring man has lost his position and when a man in a small business is threatened with bankruptcy, they are compelled to draw upon their last reserve—the savings which accumulated on their life insurance policies. The part life insurance has played in preventing poverty, starvation and bankruptcy during the present crisis can never be accurately estimated, but the millions of dollars which have been borrowed on policies have undoubtedly saved many of our people from privation and poverty, and many businesses from complete failure.

(CONTINUED ON LAST PAGE)

In this
OUR SILVER ANNIVERSARY YEAR

We extend greetings to
American Life Convention Companies!



**THE CEDAR RAPIDS LIFE
INSURANCE COMPANY**

has served well for a quarter century

Good Men desiring to grow are invited to
write us. Desirable General Agency Openings
Iowa Nebraska South Dakota
Minnesota

Officers who are Agency Minded. A kit of working tools that is unsurpassed.

Col. C. B. ROBBINS
President

C. B. SVOBODA
Secretary

JAY G. SIGMUND
Vice Pres. & Agency Director

HOME OFFICE: CEDAR RAPIDS, IOWA

This May Interest You

IT is indeed a pleasure to be able to say that our production for the first half of 1931 was but a little less than for a like period last year.

Our producers fought harder but they got results. They have forgotten all about depression. Their success is due to the fine qualities of our policies and the direct cooperation of our Home Office Staff.

We need producers in old territory and Managers in new territory, as follows:

MICHIGAN OHIO VIRGINIA

If interested, let us hear from you.

**THE
BANKERS RESERVE LIFE
COMPANY**

Home Office: Omaha, Nebraska

34th year of successful operation

Policy Trends of Year Are Reviewed

Wendell P. Coler Tells of Important Developments and Changes in Coverage in 1931

STRESS SAVINGS FACTOR

Income Idea Emphasized Both in Family Income Form and Annuities—Old Age Protection Featured

In his review of "Policy Developments of 1931," Wendell P. Coler, secretary and actuary of the American Life Convention, commented on the trends of the year and also listed in detail new policies issued by a number of companies in the various classes.

"Last year," he said, "the two outstanding developments were the adoption, by order of the regulatory officials, of a standardized provision for disability benefits and the introduction of the family income policy. In 1931 there has been quite a different trend—perhaps I should say there have been two trends. Many companies—especially those in the east—have pushed term insurance. Many ingenious combinations of term insurance and ordinary life have appeared. Apparently these are designed and purchased to replace values which have vanished in deflation rather than to help create them by saving. Practically all estates composed of stocks, real estate and even bonds have depreciated to such an extent that it is natural that an opportunity be sought to guarantee the replacement of at least a part of the shrinkage by insurance—usually term insurance. To the extent that the insured thus acquires protection, which is, in fact, against loss of existing earning power, this is sound. When, however, it is designed to replace losses of paper profits and the applicant is not a producer, the transaction will probably be no more profitable than the jumbo lines issued in boom times a year or so ago.

New Contracts Stress Savings Element More

"On the other hand, some companies have diagnosed the needs and desires of the public in an entirely different way and have developed new forms of contracts involving to a much greater degree the savings element. These latter apparently are attempting to assist their insureds to create wealth by systematic saving. Such a course seems to me to be eminently sound. Today, more than at any time for a generation, a large percentage of the population is concerned about their ability to provide for a comfortable old age. Insurance is providing the answer in innumerable new policy forms, promising either death benefits plus annuity benefits or a deferred annuity alone.

"It is interesting to note that the major developments of the last two years have both expressed the benefit in terms of income. The family income policy had as one of its important features the subordination of the amount of insurance to the monthly income. This year the retirement annuities are being sold in units of income."

Lengthen Periods for Incontestability, Suicide

He noted a tendency to lengthen the period of incontestability as well as the time covered by the suicide clause. "This has been one of the answers of insurance companies to the tendency to reinforce a family or business situ-

Busy Man



H. G. SCOTT, Pittsburgh
Vice-President and Secretary Reliance Life

H. G. Scott was chairman of the local entertainment committee. It was up to him to supervise the arrangements and look after the welfare of the delegates and guests. He did a magnificent piece of work.

ation by loading up with insurance and then committing suicide. I hope the time will come when all companies have taken advantage of the full period allowed by law. The other safeguard being adopted is, of course, more stringent underwriting. It is to be regretted that this was not done in the heyday of good times. The basis of selection should presumably be the same at all times but human nature being what it is, the rules will probably continue to be interpreted in a more lenient way in good times than in bad."

On the question of disability benefits he reviewed both the development of that coverage and the recent agitation for changes in it.

"I never favored the use of disability provisions similar to those issued in recent years with a presumption clause," he said. "The issuance of policies promising incomes of large amounts has never seemed wise. At the same time, in accordance with the traditional policy of the American Life Convention, I believe that the way to the issuance of a total permanent disability benefit should be left open for those who desire to experiment in this field. The benefit is invaluable to one truly disabled and I hope a way may be found to offer it to some of those desiring this type of coverage.

"Recently the trend of discussion seems to be toward the elimination of the income benefit. If this change is made most of the companies will offer a waiver of premium alone."

Interest in Effect of Dividend Reductions

Mr. Coler said he stated a year ago that dividend reductions were in the offing. "Several have been made. More will doubtless come. It will be interesting to see the effect of these changes on the ratio of sales of guaranteed cost insurance to those of estimated cost production."

A most interesting development this year has been the issuance by a number of eastern companies of policies providing for an initial period of term insurance followed by automatic conversion to the ordinary life plan. These policies are not half rate policies, which were a development of some years ago, but have many of the same characteristics.

(CONTINUED ON PAGE 30)

Aviation Rating Method Reported by Committee

Great interest was manifested in the report of the aviation committee on a complete, detailed method for underwriting pilots for life insurance. This was based on an intensive study of existing statistics.

The report was given by Floyd S. Prothero, Travelers. Other members of the committee are L. G. Sykes, chairman of the committee and medical director of the Connecticut General; W. Nelson Bagley, assistant actuary life department, Travelers; Charles B. Robbins, president Cedar Rapids Life; Emmet C. May, president Peoria Life; Victor R. Smith, associate general manager Confederation Life, Toronto, and Byron K. Elliott, manager and general counsel, A. L. C.

Underwriting Plan Has \$8 Basic Premium

The underwriting plan outlined requires an extra annual basic premium of \$8 per \$1,000 of life insurance and an appropriate additional premium for each of a number of factors. As regards pilots engaged in stunt, exhibition, record, exploration or other extra-hazardous forms of flying the report recommends the declination of life insurance coverage.

In order to determine a basic rate, the committee compiled from experience of the Aeronautics Branch, U. S. Department of Commerce, a table on transport pilots having annual flying time of 50 to 499 hours, which records were free from accidents and violations of flying regulations. The table was made up to show number of deaths, exposure and mortality rate per \$1,000, on the basis of total flying time divided as follows: 300 to 499 hours; 500 to 999; 1,000 to 1,999; 2,000 to 2,999 and 3,000 hours or more.

In addition to this table others were drawn up by the committee on the basis of an annual flying rate of 500 hours or over and also on the basis of the record of violations and those having serious accident records.

Basic Rates Governed by Experience in Air

In order to note the effect of these latter tables upon the standard table, another one was incorporated in the report giving the basic rate per \$1,000 of life insurance for transport pilots with an annual flying time of 50 to 499 hours and with total flying time of 300 to 499 hours; 500 to 999; 1,000 to 1,999; 2,000 to 4,000, and 4,000 and over. The basic rates for the varying total periods of flying time, which were outlined in the report are \$33 per \$1,000 of life insurance, \$23, \$13, \$10 and \$8, respectively.

Five classifications of pilots are enumerated on the basis of their experience and the kind of license held. The first classification, known as A, includes pilots having a transport or military license with not less than 4,000 solo flying hours, not less than 10 years flying experience, not less than 300 hours flying at night, and an experience which includes the operation of all types of aircraft in all branches of aerial service flying.

Classifications Are Based on Flying Record

The second classification, B, includes those holding a transport or military license with between 2,000 and 4,000 flying hours and not less than seven years experience, with a record of not less than 150 hours flying at night and the experience of having operated certain types of aircraft and with a record of having engaged in all types of flying and transport and aerial service flying, but not necessarily transport and aerial photography.

The third classification, C, also includes those having a transport or mili-

tary license with only 1,000 to 2,000 solo flying hours and not less than five years flying experience. Pilots in this classification will be required to show a record of not less than 50 hours flying at night, as well as experience in operating certain types of aircraft and having engaged in various types of aerial service flying.

The fourth classification, D, includes pilots holding a transport, limited commercial or military license, with a record of between 500 and 1,000 solo flying hours and not less than two years flying experience. Those in this classification also would be required to show a record of having operated certain types of aircraft and an experience covering aerial service or private flying. The last classification, X, includes all pilots not otherwise classified.

In addition to the various classifications, the rating schedule outlined in the report is based upon the annual flying time and whether or not it is done under the supervision of qualified flight

officers, a record of violations as well as record of accidents, the judgment, technique and other mental and moral qualifications of the pilot, and the nature of the terrain or other adverse working conditions, and the degree of extra-hazardous types of flying.

For A pilots no additional basic extra premium is recommended, but for B an additional basic rate of \$2 per \$1,000 is suggested, for C, \$5, D, \$15, and X, \$25.

Where the annual flying rate is under the supervision of qualified flight officers and is between 50 and 499 hours, no extra premium is proposed, but where it is between 500 and 749 hours the additional premium proposed is \$8. Where the annual flying time is between 750 and 999 hours the additional premium proposed is \$15, and where the annual flying time is 1,000 hours or more a declination of the risk is recommended.

Rules Regarding Fliers Without Good Supervision

Where flying is not done under the supervision of qualified flight officers and is at the annual rate of between 50 and 499 hours, the proposed extra premium is \$5, and where it is at an annual rate of 500 to 749 hours the additional premium proposed is \$15. Declination of the risk is recommended where the annual flying rate is 750 hours or more.

(CONTINUED ON LAST PAGE)

Golf Tournament Winners of Prizes Were Announced

The golf tournament at the St. Clair Country Club was highly enjoyable. James Fairlie, vice-president of Abraham Lincoln Life, was chairman and had all the arrangements in charge. The golf dinner was held Tuesday evening with Mr. Fairlie presiding and the prizes were presented the winners as follows:

Low Qualifying Gross—C. F. Cross, Lincoln National Life.

First Flight—Winner, J. C. Malone, Retail Credit; runner-up, Daniel Boone, Midland Life.

Second Flight—Winner, L. J. Kalmback, Lincoln National Life; runner-up, R. A. Goodman, Southwestern Life.

Third Flight—Winner, B. H. Mitchell, Texas Security Life; runner-up, W. T. Grant, Business Men's Assurance.

Fourth Flight—Winner, Ben S. Graham, Brooklyn National Life; runner-up, W. H. McBride, National Life & Accident.

Consolation Handicap—Winner, J. Howard Oden, North American Reassurance; second, Henry Abels, Franklin Life.

Putting Contest—Winner, Henry Abels, Franklin Life; second, B. H. Mitchell, Texas Security Life.



National Life Insurance Co. of the U. S. of A.
A. M. Johnson, Chairman of the Board.

Greetings to the American Life Convention

A FINE OLD COMPANY
FOR AMBITIOUS YOUNG MEN

Began more than sixty-three years ago—

Continues in the vanguard of present-day underwriting

Established 1868

NATIONAL LIFE INSURANCE COMPANY
of the UNITED STATES OF AMERICA

Robert D. Lay
President

Walter E. Webb
Executive Vice-President

29 South LaSalle Street, Chicago

Hull Sees Life Insurance As An Economic Governor

Roger B. Hull, managing director National Association of Life Underwriters, presented an "eight-year plan" for life insurance agents. His comment on economic conditions which agents are facing was of great interest.

"The hill of prosperity makes a wonderful toboggan slide," he said, "but the road back is apt to be steep and difficult. And it seems to at least one observer that the road back must be by another route than the bumpy course which we had been building up to 1929, and over which we slid, beginning in that October.

"Probably in any reconstruction of the peak, we must build some hills and some valleys. They produce the thrills. They mark the goals. They constitute the rewards and penalties of success and failure, under our system of individualism and initiative. But something must happen in the scheme of things, and it must happen fundamentally, to level off the heights and the dips of our business cycles.

Life Agents Command Remedy for Depressions

"Because I so fully appreciate that the proof of my proposition constitutes admittedly a large order, and covers a great deal of territory, I repeat it. You, in American life insurance, hold within your grasp the plan which more than any other single force in the nation will serve to flatten out the curves and even up the depressions of the next period of deflation. In other words that American life insurance, eight years from now, or ten, or 15, is going to supply the cushion to absorb the shock of the recession following the next peak of prosperity, more fully and more scientifically than any other single economic factor. I may not

be able to demonstrate that conclusion clearly, but I hold it to be true.

"There is one exception to the formula. There is just one other force which is going to overshadow the effect of life insurance as a cushion for our next economic recession, and that is a new international cooperation. Ere we reach that next prosperity peak, international enmities and fears must have been replaced by friendship and confidence.

Says Problems Are Solely of Consumption

"Can't we all agree that our economic problems are now, in fact for some time have been, of consumption, not of production? Up to now, practically all of our research, all of our inventive genius, has been expended upon productive processes, and this was probably inevitable in the development of the machine age. Our industrial leaders have been steeped in the producer's state of mind, and it has been steadily developing during the past 50 years. American business has approached every problem from the producer's point of view.

"Our thoughts have been expressed in terms of productive labor, materials, machines, mechanical technique. All our energies were bent toward producing goods, better goods, new kinds of goods—eternally goods—and the business of selling them. Everything else we did was either incidental to or the by-product of the production complex.

"But the research of the next ten years, if it is to forestall the next cycle of depression, must develop a new technique of consumption and distribution, based upon the factors of men and money, rather than machines and materials; based upon a stabilized purchas-

Speaks for Agents



ROGER B. HULL
Managing Director National Association
of Life Underwriters

ing power and an economically freed purchasing public. And life insurance will constitute in those processes by far the most effective factor. Our major problem has shifted from one of producing goods to one of stabilizing buyers. And buyers involve problems in human relations.

"What is needed today in business is a new technique in human relations, in human engineering. It will have to be created before we can reach a sound adjustment between production and consumption. We have not recently been

(CONTINUED ON PAGE 27)

Legal Section Has Five Round Table Forums As Feature

OFFICERS ELECTED

Chairman—Allen E. May, Missouri State Life.
Secretary—R. F. Baird, Lincoln National Life.

The Legal Section is always of great interest to the attorneys, although in many instances the same questions are discussed from year to year. The incontestable clause, for example, is a perennial topic. This year round table discussions were featured, there being a separate chairman for each one. A. D. Christian, Atlantic Life, presided over the discussion of trust agreements when C. P. Peterson, general counsel Bankers Life of Nebraska, was the chief speaker. Allan E. Brosmith, attorney Travelers and son of the veteran Vice-president William Brosmith of the company, had charge of the forum where J. C. Jones, Jr., of St. Louis, associate general counsel of the American National of that city, discussed the effect of the incontestable clause on reinstated policies.

Five Round Table Sessions Conducted

The third forum was presided over by F. A. Sloan, general counsel, Bank Savings Life of Topeka, when W. C. Carter of Atlanta presented his paper on "The Contractual Right of Reinstatement." Therefore the rights of a reinstated policyholder occupied the attention of the section Tuesday afternoon.

There was an interesting round table discussion Tuesday morning presided over by F. W. McAllister, Kansas City Life, when William McKinley, general counsel Old Colony Life of Chicago, gave his paper on infectious germs

(CONTINUED ON PAGE 30)



AMERICAN CENTRAL LIFE INSURANCE COMPANY

• • INDIANAPOLIS • •

Old Line Legal Reserve

Established 1899

HERBERT M. WOOLLEN, President

Disability Claim Problems Reviewed

Source of Great Grief to Carriers

No Solution to Puzzle Yet Found,
R. K. Metcalf of Connecticut
General Life Says

STILL GREAT LIABILITY

Withdrawal from Field Won't Get Away
from Claims of Policyholders Now
on Companies' Books

"There has been no solution to the disability puzzle from a claim viewpoint," R. K. Metcalf, manager claim department Connecticut General Life, declared in speaking at Wednesday's session on "Disability Viewed Claimwise." "If there had been, no one would be talking of restrictions or even complete elimination. The coverage is already written, the potential liability is in existence and the premium rates established. Claimwise we must deal with results only. If an analysis of those results indicates a trend leading back to fundamentals in policy construction, perhaps we, as claim men, have helped in putting that part of our business on a more firm foundation."

"It is probably safe to say that a large number of companies will discontinue writing disability. It appears inevitable. That fact, however, should not lead those companies or any others to believe that the claim department by itself is a non-essential adjunct, for even though disability claims were the sole concern of the claim department, there is great potential liability in the coverage written and outstanding."

As Many Variations of "Disability" as of "Disease"

He said as this feature has developed, the term "disability" has become about as generic as the word "disease" and there are about as many variations of "disability" in existence as there are diseases. There is one kind which contemplates a literal interpretation of the term "permanent and total." There is another which merely uses those words to legally issue non-cancellable accident and health insurance in conjunction with life insurance. Between these two are found the bulk of coverages, with hardly any two precisely the same.

Mr. Metcalf did not attempt to offer any solution for the disability problem in general, but restricted himself to telling of the method his company follows in handling disability claims and what is necessary in the way of a claim organization for the average company writing disability business.

Need Full Information on Questionable Cases

Mr. Metcalf emphasized the importance of getting complete information in regard to any questionable case, and not depending merely on medical reports. He cited two specific instances in that connection. One was the case of an undertaker who claimed disability benefits on account of a nervous breakdown. Both his doctor and the company's examiner said he was unable to work. He admitted that he went to his office occasionally but insisted that he took no part in the business. "When a man tells you that he goes to his office but

No Hope Under Present Clause, Gregory Thinks

In his discussion of R. K. Metcalf's paper on disability claim problems, L. P. Gregory, vice-president Reliance Life, dealt primarily with the underwriting of disability business. He said that in the final analysis the actual results of the operation of the disability clause must be laid at the door of the underwriter, but that his has not been an easy road. His company's paramount ambition has been volume, and always more volume, and competition has driven him into countless departures from safe and sane underwriting practices. He said his company last year entrusted to its accident and health department the underwriting of the disability clause, formerly handled by the medical and inspection department in conjunction with the actuarial division. "This change was made," he said, "because of a recognition of the facts, although belated, that the present disability clause was nothing more nor less than non-cancellable accident and health insurance and that the principles and practices of accident and health underwriting should be applied."

No Hope for Improvement Under Present Disability Clause

Mr. Gregory declared that "there seems to be no basis for any material improvement under the present disability clause. So long as statements on the application are falsified as to other disability income in force or pending, so long as it is possible, by misrepresentation or careless omission of facts to secure subsequent additional coverage in excess of requirement or warrant, the difficulty of preventing over-insurance will remain a serious problem which has thus far baffled solution."

He found insuperable difficulties in connection with the various remedial measures which have been proposed, including the suggestion of a central bureau to which all companies should report every application for income disability insurance and the proposal that the disability provision be modified to include a condition providing, in effect, for proration of income in the event of other similar protection subsequently secured without notice by the company of original issue. He asserted further that the remedy is not to be found in an increase in rates, which are sure to result

does no work," Mr. Metcalf interjected, "I think you can count, in nine cases out of ten, on a conservative estimate, that he is dealing lightly with the truth." Records of the bureau of vital statistics showed a number of cases in which this assured's firm had had charge of funerals. Inquiry was made of relatives or close friends in connection with these cases. It was found that in several instances the assured had not only been at the home in connection with the funeral, but had been at the cemetery and supervised proceedings there. When he was informed of the result of these inquiries, the claim was not pushed.

"Paralyzed" Claimant Was Able to Drive Car

The other involved a grocer in a small town who was kicked by a horse, fracturing his skull. He went to a prominent medical center and received competent treatment, but in spite of an excellent remodeling job, a gradual paralysis set in affecting his hands and legs, which was attributed to an injury to some nerve center. It was serious enough to prevent him from doing anything in a constructive way, although it

(CONTINUED ON PAGE 26)

in selection against the carrier. He also pointed out that the companies have not yet begun to reap their full experience and will not until the present army of young and middle-aged approach the time of contemplated retirement and want to go on pensions.

Rapidly Assuming Aspects of Pensions and Doles

"Before the days when income was granted in addition to waiver of premium and optional deductible payments, life insurance was sold entirely on its own merits. All too frequently in these days, we find the cart before the horse, the tail wagging the dog, the placing of substantial amounts of insurance contingent upon the granting of the income disability benefit, quite irrespective of right or reason. The facts in practically every such case are that the applicant has a latent and potential physical or financial impairment which he wishes to sell to the insurance carrier at a huge profit to himself."

"Present day disability benefits are rapidly assuming the aspects of pensions, doles, unemployment insurance and retirement annuities if, in fact, they are not already so considered and construed. Once granted, they are expected and demanded in perpetuity, especially when substantial. The modern disability clause in life insurance has been tried, given abundant opportunity to prove its worth, and been found entirely wanting."

Time Ripe for Drastic Restriction of Coverage

"When necessity or expediency dictates the segregation of participating policyholders into groups of non-income sheep and income goats for the allocation of dividends, it is about time, if the benefit is to be continued in any form, for the carriers drastically to restrict the coverage and, so far as may be possible, in such phraseology as will preclude adverse judicial construction. May expression be given the hope that we shall soon revert to a type of clause which will provide for waiver of premium, with deductible payments if desired, in consideration of total disability which has continued for a sufficient time to warrant the presumption of its permanency."

Daniel Boone Is Member of Famous Insurance Family

Daniel Boone, president of the Midland Life of Kansas City, is a member of the famous Boone family who in days gone by were prominent factors in building up the New York Life in southwest territory west of the Mississippi. Their headquarters were in St. Louis.

There were four brothers, Daniel, John T., Howard and Hamp, all famous New York Life men. Daniel Boone was father of the present Daniel and together they founded the Midland Life. John T. was one of the main factors in organizing the North American Life of Chicago, Pan-American Life of New Orleans and the Shenandoah Life of Roanoke, Va. Howard organized the Central States Life of St. Louis. Aside from the president of the Midland Life there is one other Boone prominent in the business, his brother, Harry, who represents the Pan-American Life in Central American territory and Panama.

The present Midland Life president started with the New York Life as a clerk in its office at St. Louis. He be-

Insurance Itself Factor in Losses

Disability Cover Causes Malingering, Increases Duration of Claims, C. O. Pauley Says

PROBLEM MENTAL ONE

Claim Man's Task Is to Get Pensioner in Frame of Mind Where He Is Willing to Return to Work

"The one element in disability claims to which we have failed to give sufficient consideration is the effect of disability insurance itself," C. O. Pauley, secretary Great Northern Life said in discussing the disability claims situation. "Years ago I read a book on the subject of public and private charity, in which the author stated that indiscriminate, unorganized private charity had itself made more paupers than any other cause. I believe it is safe to say that disability insurance itself is responsible for more of our losses than any other one cause, and perhaps more than all others combined. None of our figures as to probable losses and necessary rates have been dependable, because this element was not given due consideration. Even in legitimate claims where the disability is real and permanent the claimant lives longer than would be expected if it were not for the insurance. He is enabled, by the benefits he receives, to obtain better care and medical service, thus prolonging his life, but an even greater factor is the relief from worry over financial affairs and the fear that he and his family may suffer want and privation, or become objects of charity."

Problem Cases May Be Put in Three Groups

"The real difficulty, however, arises from the effect of such insurance on potential malingers, on the neurotic type of individuals, and the prolongation of legitimate but what should be temporary disabilities. These three groups, of course, overlap. There are many cases of pure malingering induced solely by the fact that an income may be obtained from an insurance policy. There are many more where the individual is neurotic, and a slight injury or illness is unconsciously or by suggestion exaggerated into a disability. Many of both these types suffer true disabilities but prolong them because of the insurance long after there has been sufficient recovery to resume work. In still other cases, when the insured is neither a malingeringer or a neurotic, but has a genuine disability, he becomes a malingeringer because of the change in his circumstances or develops an unreliable nervous system as the result of his illness, and seeks to prolong his disability indefinitely."

"The deliberate malingers are more common than we might think. In this day of frequent embezzlements, graft and racketeering it is not to be expected

(CONTINUED ON PAGE 25)

came an agent, supervisor of agencies and agency director. For a while he was located at Indianapolis and then had charge of special work in California.

Why Call It Luck?

You can't call the successful growth of the American Life Convention lucky! The present reputation and position occupied by the A. L. C. is justly due because only the highest ideas and those factors in life insurance that would build up the soundness and strength of the legal reserve system were ever fostered by the Convention. The enthusiasm and hard work of all members over a long period of time toward building the A. L. C. cannot be called lucky.

You also can't call the growth of the Commonwealth Life lucky. Hard work, loyalty and satisfaction of our agents who work under that extremely unusual plan of "Commonwealth Cordial Cooperation" backed by Home Office executives, whose first thought is toward the men in the field, has made this company successful. It's not luck!

Our plan of "Commonwealth Cordial Cooperation" which pleases agents so much has been a big factor in keeping our agents with us. We would like to tell you about the plan because we feel it might appeal to you.



I. SMITH HOMANS, Vice President

COMMONWEALTH LIFE INSURANCE COMPANY

Louisville, Kentucky

Important Topics Up at First Regular Session

The American Life Convention opened its annual gathering in Pittsburgh with a large attendance. Members began arriving Sunday and the golf tournament took place the next two days, the golf dinner being held at the St. Clair Country Club the last evening.

The Legal Section held the boards the first two days, with a luncheon Monday noon when Walter F. Seay, general counsel Southland Life of Dallas, spoke. Tuesday evening the executive committee and all past presidents attending the meeting held a conference.

The general session opened Wednesday morning when President C. B. Robbins gave a brief report of the year. The delegates from visiting organizations were presented. Franklin D'Olier, vice-president Prudential, spoke for the Life Presidents Association. That organization sent D. C. MacEwen, vice-president Pacific Mutual; A. J. Davis, vice-president Provident Mutual, and Wesley Monk, general counsel for the Massachusetts Mutual, together with Mr. D'Olier, as delegates. This committee was well buttressed by Manager George Wight, Assistant Manager C. G. Taylor and Attorney V. P. Whitsett.

Life Insurance Has Stood Up Under the Strain

Mr. D'Olier in his talk said that in this day of turmoil life insurance is the main protection of the American home and is upholding its stability. The life insurance structure, he said, is standing the severe strain placed upon it. It is playing a more important part than ever in the economic life of people. Its function, he declared, is to reduce uninsurance.

C. S. Macdonald, president and manager Confederation Life of Toronto, represented the Canadian Life Insurance Officers' Association. Elbert Storer of Indianapolis, manager Bankers Life of Iowa, who in the very room in which the American Life Convention was holding its meeting was elected president of the National Association of Life Underwriters two weeks before, made his first public appearance and spoke for his organization. He said that textbooks for use in high schools bringing out life insurance features are now being prepared. He said that his organization is developing better salesmen and better conservers of life insurance.

T. F. Cunneen, manager insurance division, U. S. Chamber of Commerce,

spoke and brought out the fact that two former presidents of the American Life Convention are now directors of his organization. C. W. Gold, president Pilot Life of Greensboro, N. C., is one of the insurance directors. L. J. Dougherty, president Guaranty Life of Dayton, is a director from the sixth district. Mr. Cunneen said that there are now 245 cities entered in the health conservation contest, representing 45 states and Hawaii. One of the most important studies now being made by his division relates to employees' retirement annuities and pension plans. It has delved into the question of unemployment insurance also.

At the first session Manager B. K. Elliott presented his report and Secretary W. P. Coler reviewed some of the main policy developments of the year.

American Service Bureau Made Commendable Showing

At Wednesday afternoon's session Manager Lee N. Parker of the American Service Bureau made a report showing that the bureau has now returned \$94,000 advanced six and a half years ago by member companies to start the bureau. It has paid off all its obligations and now has assets of \$90,757 above its liabilities. This is a very gratifying result and reflects great credit on the management.

There was much interest in the paper of Actuary J. D. Craig of the Metropolitan Life on "Social Insurance in Europe with Respect to the Problems of Today." Mr. Craig spent six months in Europe making an investigation of so-called social or state insurance. He was accompanied by the late vice-president, Lee K. Frankel, of the Metropolitan, who died in Paris while on this mission. Mr. Craig's eminence as an actuary and student gave great weight to the observations he made.

The rest of the afternoon was given over to view of disability claims. The primary paper was presented by Manager Robert Metcalf of the claim department of the Connecticut General. The discussions came from Vice-President L. P. Gregory, Reliance Life, and Secretary C. O. Pauley, Great Northern Life. There is no question aside from security valuations that is engrossing the minds of officials as much as disability. Therefore, the views of these three men formed a valuable contribution to the week's program.

Convention Notes and Comment

C. W. Seovel of Pittsburgh, an agent of the Northwestern Mutual Life and former president of the National Association of Life Underwriters, attended some of the sessions.

H. R. Gordon, of Chicago, executive secretary of the Health & Accident Underwriters Conference, went to Pittsburgh to represent his organization.

The American Life Convention management got out a registration list of all at the convention giving the hotel room number and company connection and had it ready Thursday morning.

R. W. Stevens, Jr., of Chicago who is connected with the agency department of the Illinois Life and son of the great R. W., president, attended his first American Life Convention meeting.

Among the former insurance commissioners present were H. L. Ekern, Wisconsin; J. V. Barry, Michigan; Wesley Monk, Massachusetts; R. B. Cousins, Texas; Miles Schaeffer and C. C. Wysong, Indiana, and H. R. Cunningham, Montana.

President Robbins introduced Major Henry Hornbostel of Pittsburgh, famous

architect who has done great building in Washington and elsewhere. He was architect for the Harding memorial at Marion, Ohio, and the famous Memorial building at Cedar Rapids.

R. C. Knell, private secretary to Vice-President H. G. Scott of the Reliance Life, had the real burden of looking after the details so far as local arrangements were concerned. He was on the job from morning until night and did a wonderful piece of work.

V. P. Whitsett, attorney for the Life Presidents' Association, attended the meeting of the Legal Section.

The Executive Committee gave a luncheon Wednesday noon to the speakers on the program and distinguished guests.

It was announced that at the executive committee meeting Tuesday evening there were 12 past presidents on hand. There were only four living ex-presidents absent.

R. B. Cousins, president San Jacinto Life of Beaumont, Tex., who now regularly attends meetings, was former insurance commissioner of his state.

Home Office Management Topic Is "Conservation"

NEW OFFICERS ELECTED

Chairman—J. H. Domelle, Secretary
Canada Life.
Secretary—W. Nelson Bagley, Assistant
Actuary Travelers.

At the meeting of the Home Office Management Section Wednesday evening, Chairman R. C. Neuendorffer, secretary Guardian Life, presided. J. C. Seitz, actuary of Chicago, presented a memoir in tribute to the late Roy M. Jones, secretary Atlantic Life, who was the first chairman of the section, having been elected in 1929.

In his introductory remarks the chairman stated that in days gone by the reinstatement function was the only one recognized in conservation, which was the theme of the evening. He said in addition to this there is now the important work of issuing and maintaining a policy. While in the past companies have worried about lapses due to nonpayment of premiums especially at the end of the first year, they now have the great burden of a multitude of applications for loans and surrenders. In fact as soon as these can be secured policyholders jump at the chance. He stated that in the work of conservation policyholders can probably be given much information that will enable them to maintain their policies of which they have been unaware.

Three Major Functions in Work of Conservation

He said there were three major functions in this latter day program. The first is to keep a policy clear from any loan, secondly to keep the loan at a minimum, and thirdly to keep the policy in force at all events. He said that in granting a loan a company really is funding a debt that is seldom repaid. After all, the chairman feels, that in time of stress a policyholder probably needs temporary accommodation. The premium extension plan, he thinks, is the most practical. Rather than dealing with policyholders in a mass who have taken out loans he thinks there should be a selective service. Policyholders who are really in danger and who need help most should be chosen for treatment.

Responsibility Should Be Well Distributed

The chairman said that one minor feature could certainly be remedied. He referred to the undelivered mail containing premium notices. Many offices in such an event keep on sending subsequent notices to the same address and do not attempt to find the new one. Responsibility for conservation, he declared, does not rest in any one point but should be distributed all along the line, with the home office, manager, cashier, agent and policyholder.

There were two set papers read before the section, one by Assistant Secretary F. W. White of the Canada Life, who told about the rewriting plans of Canadian companies in which much activity is used in dealing with policyholders who have mortgaged their policies. The other was by L. J. Doolin of the Life Insurance Sales Bureau who had made a study of the practice of American life companies with reference to conservation and presented the results of his survey. He declared the business is suffering from a hemorrhage of lapsation.

Experience on Rewritten Business Not Extensive

In the discussion that followed some delegates contended the persistency of rewritten business was not satisfactory. It is generally felt that the methods of rewriting ordinary business could not be well applied to industrial. There is not

sufficient experience on rewritten business so far to get the cost. One important company that has done considerable rewriting says in its opinion so far the results are not worth the outlay. It allows, however, 10 percent commission and renewals which naturally runs up the cost. One company reported that in rewriting business it offered a new policy without the income disability clause—thus it got rid of several policies with this clause. It is generally felt that if the American Life Convention could furnish information regarding agency contracts cancelled for high lapse ratio it would be important information.

Sigmund Tells About Cedar Rapids Experiment

J. G. Sigmund, vice-president Cedar Rapids Life, said that smaller companies find that it is impossible for their agents to have hand-picked prospects. They have to go out in byways and highways and beat the brush. Very

often a cold canvass is necessary. The Cedar Rapids Life is trying an experiment by getting a prerenewal survey. Ten months after the application is made it sends a blank to the agent writing the case with queries as to the new policyholders and in this way the home office gets a better picture of them. The agent is expected to go personally in order to get the data and in that way it is found that he writes much new business as a by-product. Mr. Sigmund said that as a last resort in trying to hold policyholders, the president of the company wrote a letter making a strong appeal not to let the insurance drop.

Hopf Wants Policyholders Given More Information

The Provident Mutual reported a lapse ratio of 40 percent in reinstated policies. Mr. Doolin stated that the big lapse ratios are not so much higher the second year than formerly but he said the companies are "taking a licking" on older policies on which there are loans or where they have been surrendered for cash.

H. A. Hopf of New York City said that in mingling with policyholders he was impressed with the fact that they did not have sufficient information about their policies. They do not know what

they stand for. They do not appreciate their benefits and privileges. Mr. Hopf said that a policyholder should be kept informed as time goes on as to the different phases of his contract. He said that companies pay out a large amount to agents to get new business and then are called upon to pay out a big amount of money to keep it in force and to reinstate lapsed policies. He said that the agent with a good persistency record should be rewarded. W. N. Bagley of the Travelers said that when an agent is compensated, the first year's commission does not alone cover the service for getting the business on the books but for keeping it there. The best business, he said, comes from old policyholders.

Ordinarily J. C. Higdon, Business Men's Assurance, who was secretary this year, would have been promoted to the chairmanship, but he is now an agency officer and hence was disqualified for promotion.

Miss Julia Robbins, daughter of Col. C. B. Robbins, president of the American Life Convention, and Mrs. W. P. Coler, wife of the secretary, were shopping in Gimbel's department store and found a child crying frantically. It had become lost from its mother so the two ladies took the child to the nearest police station and delivered it to the matron in the detention department.

ASSISTANCE



CONTINENTAL
CASUALTY • ASSURANCE
COMPANIES

CHICAGO

ILLINOIS

COMPLETE SALES COOPERATION

Continental facilities embrace more than the usual service to field men.

A broad range of modern coverages enables all agents to service practically every need.

Supporting this salable merchandise is the personal cooperation of department heads, the seasoned advice of experienced executives, practical sales help and profitable, proven, effective, advertising assistance.

Continental sales cooperation, like Continental DURABILITY, is complete.



STURDY STABILITY . . .

DEPENDABILITY
is taking a new and deeper
meaning these days . . .

THE INVESTOR . . . is finding it in life insurance as he never before realized.

THE LIFE INSURANCE AGENT . . . finds the dependability which he demands in the Company with

1.
Seasoned Management able to provide a
2.
Straightforward Agency Program—with a
3.
Company whose set-up positively assures the permanency of the Company.

It is just this "sturdy stability" which has enabled Midland Men to achieve an exceptional record in 1931.

DANIEL BOONE
President

**Midland Life Insurance
Company**

Armour Boulevard at Main Street

KANSAS CITY

MISSOURI

Develops Great Working Machine

(CONTINUED FROM PAGE 3)

plus. This has been accomplished in a little over six years. There were many doubting Thomases when this enterprise started, who predicted that it might engulf the parent institution in much embarrassment.

There are major problems before life insurance today. They came to the surface at the general meetings and in those of the sections. In private conversation they were always the chief topic. In spite of the terrific economic hurricane, life insurance stands undismayed and impregnable. Disability insurance, valuation of securities, continued demand for loans and cash surrenders, heavy lapsation, investments, the handling of farms acquired under mortgage, conservation of business—all of these were discussed. Company officials and department heads were perfectly free to explain any plan that had been devised that had proved effective. There is strength in standing together and pooling resources.

There are demands for two new sections, industrial life and advertising. The executive committee will decide whether it desires to take on added responsibilities at this time. There was not the enthusiasm for the industrial section that had been anticipated.

Official Staff at St. Louis Deserves Commendation

Great credit is due the official headquarters staff of the American Life Convention. Manager and General Counsel B. K. Elliott, Secretary and Actuary W. P. Coler, Attorney R. H. Kastner, Publicity Manager D. F. Barrett and Manager Lee N. Parker of the American Service Bureau have given a good account of themselves and have brought the organization to higher levels.

Now for a word of criticism of some of the mechanics. The great danger in all conventions is over-programming and the desire to crowd in too much at a session. Program makers forget the fact that they are conducting physical endurance tests. It means something to sit two hours or more in convention chairs without any opportunity to move around. It is a mistake to have more than three people at one session present papers. The opening session lasted beyond 1 o'clock. Almost every session was too long, resulting in as many people being in the lobby as there were in the auditorium. In the opinion of observers there should be more elasticity.

Contract Is Noted Between Two Sections

It was most unfortunate in the Financial Section meeting, one of the most important of all the departments, that the program proper with its four set papers did not close until after 11 p. m., when with the day's program and that of the evening those in attendance were in a state of real fatigue. Hence there was no spirit nor desire for discussion. The Management Section had only two speakers and the discussion that followed was spirited and very helpful. Program makers need to study not only the subjects presented and the people giving them but also the comfort of those who are to listen.

J. B. Reynolds, Kansas City Life, nominated Mr. Laird for the presidency and he was unanimously elected, escorted to the platform and made his bow. C. L. Ayres, American Life, nominated Mr. Boone as a member of the executive committee. H. M. Woollen nominated Mr. Manly. R. J. Giles, Occidental Life of California, nominated Mr. Robbins and Dr. H. W. Dingman, Continental Assurance of Chicago, nominated Mr. Webb. There was no opposition and all were elected by acclamation.

There were numerous invitations received from various cities for the next meeting but the subject was left with executive committee.

G. S. Nollen, Bankers Life of Iowa, presented the disability report. There

New Occupational Manual Distributed at Convention

The special committee appointed a year ago, known as the "under-average lives committee," of which Arthur Coburn of the North American Life Assurance is chairman, got out an occupational rating manual which was distributed at the convention. The report stated that although occupational hazards change from time to time, there is no necessity for frequent revision. The publication of the joint occupational study by the Actuarial Society of America and the Association of Life Insurance Medical Directors seemed to the committee to furnish an incentive for a revision and accordingly a convention manual has been completed. In connection with the report the committee said:

"As far as life ratings are concerned we believe the manual contains a fair cross-section of the modern viewpoint as to what occupational hazards are. Generally for those occupations where older men require higher extra premiums than the younger men, percentage ratings have been indicated in the manual. Where, however, the extra occupational hazard can be appropriately cared for by uniform extra premiums, the manual indicates the necessary extra premiums in dollars and cents. It will be found that a number of occupations are rate 125 percent for the life risk. This is done for the purpose of suggesting that the occupation is not necessarily standard but one in which the underwriter, may in approved cases, grant standard insurance.

"Particular attention has been directed toward disability and double indemnity hazards. The double indemnity ratings indicated are based upon the assumption that the companies charge a normal rate of \$1.50 per thousand for this benefit.

New Head of Convention Is an Outstanding Man

(CONTINUED FROM PAGE 3)

He is a trustee of the State Savings Bank of Hartford and also the Loomis Institute of that city. He is a director of the Hartford Golf Club and treasurer of the Immanuel Congregational Church of Hartford. Personally Mr. Laird is very popular. He is a student and prince of good fellows.

was considerable discussion but no action was taken. The state vice-presidents remain as they are but there are vacancies in Colorado and Mississippi to be filled.

Tells of Europe



JAMES D. CRAIG
Actuary Metropolitan Life

Investment Fears Called Unfounded

Gives Pointers on Farm Mortgages

Fowler of Bankers Life Sees Agriculture With Future But Caution Needed

NEW ORDER OF THINGS

Places Faith in Up-to-Date Farmer Who Keeps Records, Watches His Markets

Agriculture is being put to a test, but it will come through safely, G. W. Fowler, vice-president and treasurer Bankers Life of Des Moines, declared in his address Wednesday before the Financial Section on "Future Farm Financing."

Mr. Fowler's conclusions were: "We will be in a position to make better loans in the future because of the lessons we have learned in the past, and farm loans in the right sections, for the proper amounts, should continue to be desirable investments for the life insurance company."

Says Agriculture Is Bound to Survive

"The history of the United States, in a large measure, has been the story of rural communities, advancing by conquest of soil, and the economic history of our agriculture has always been closely related to all phases of our national development. Behind our own agriculture, which has endured for 150 years, we have traced its existence for 50 centuries. The pages of history seem to prove that this self-same agriculture is destined to carry on."

He laid as a background for his discussion of the subject the history of agriculture. He said some geologists place farming as far back as 500,000 years. He made the point that an industry which has played so vital a part in the growth of the human race always will continue as one of the country's basic needs.

Hopes Colonization Will Be Postponed

American agriculture, he said, has had a history of colonization of virgin lands, being classified in the colonial era, 1607-1776; frontier and plantation era, 1776-1860, and period of settlement of the far west, 1860-1920. Since the latter date, he said, very little new land has been brought under cultivation. "Let us hope," Mr. Fowler said, "that the settlement of new areas and the reclamation of additional arid and semi-arid regions will be deferred until the actual need for more tillable farm land arises. Modern practice demands an adequate yield from every tillable acre. It took the world war and an ensuing depression to demonstrate this necessity, but slowly and surely a changing order is being brought about and profitable results will eventually follow."

"The years 1900 to 1920 saw an uninterrupted succession of increasing land values and unearned increment. Then came the boom of 1919 and 1920. But even so, not all speculators were farmers, and not all farmers were speculators. Since then farmers have had their ups and downs—some are perplexed, others discouraged, and some are making

(CONTINUED ON PAGE 24)

Financial Section Hears Messages of Optimism

NEW OFFICERS ELECTED

Chairman—Russell T. Byers, Vice-President American Central Life, Secretary—John E. Reilly, Secretary-Treasurer Old Line Life of Milwaukee.

Of the total farm loan and land investment of the 14 life companies that are the heaviest investors in this class of securities, 88.6 percent are farm loans in good standing; 11.4 percent of this total investment, less than 1½ percent of the total assets of these companies, consists of farm real estate, owned farm real estate sold under contract, and farm loans in process of foreclosure. These facts, brought out by S. F. Westbrook, vice-president of the Aetna Life, in his talk on "The Farm Loan and Farm Land Situation" at the Financial Section meeting, indicated that while the farm loan situation carries serious and difficult problems it does not offer a basis for the unreasoning feeling of fear and panic which has been growing.

Dawn of Confidence Seen by Executives

The meeting of the Financial Section Wednesday evening found a crowded hall, and was attended not only by the financial men of the companies but by many of the chief executives. Four especially able talks were delivered. While the difficulties of the present investment situation were not in any way minimized, yet there appeared a dawn of confidence and sane optimism. Wood Arnold, vice-president Kansas City Life, presented a fine paper on "City Loans as Life Insurance Investments," in which he analyzed the factors which must be considered in all such loans. He stated that his company's experience with city loans had been quite satisfactory.

G. W. Fowler, vice-president and treasurer Bankers Life of Iowa, after reviewing the history of previous depressions and experience in farm lands, stated that the country could never have too many good farmers. In his opinion properly selected farm loans will continue to be desirable and an important

part of the life companies' investment program.

Charles S. Macdonald, president and general manager Confederation Life of Toronto, in his talk on "Bond Investments" presented what was really a manual of investments, analyzing thoroughly each class of funded securities. He presented ideal ratios for use in judging them and in each case a list of specific points against which each security should be checked.

Mr. Westbrook's paper was the high point of the session. He had as the basis of his talk the facts brought out in a comprehensive and thorough survey of the farm loan situation of the 14 companies which are the heaviest investors in this field. He felt that the life companies had perhaps been suffering from a species of "night terrors" with rumors and fears growing like rolling snowballs, and attaining a momentum unjustified by the actual facts of the situation.

The new chairman, R. T. Byers, stated that this section should discuss a number of very practical problems confronting financial departments. He said that it might be advisable in about 30 days to hold a meeting at some central point where no set papers are read but these questions that are uppermost in the minds of the financial departments could be discussed. The advisability of such a meeting will be put to the executive committee of the American Life Convention.

Storer to Speak in Des Moines

President Elbert Storer of the National Association of Life Underwriters who brought the greetings of his organization to the American Life Convention at its annual meeting in Pittsburgh will address the Des Moines Life Underwriters Association next Tuesday.

Wesley Monk, general counsel for the Massachusetts Mutual Life and former Massachusetts insurance commissioner, was present as a representative of the Association of Life Insurance Presidents.

Financial Section Officers



GEORGE C. HOLMBERG, Minneapolis, Treasurer Northwestern National Life, Retiring Chairman Financial Section



RUSSELL T. BYERS, Indianapolis, Vice-President American Central Life, New Chairman Financial Section

Farm Structure Is Found Sound

Vice-President Westbrook of Aetna Finds Loan Situation Not Bad

CITES FIGURES OF 1930

Reports from 14 Companies in Farm Conference Show 88 Percent in Good Standing

Basically the American farm structure is sound, S. F. Westbrook, vice-president Aetna Life, told the Financial Section Wednesday in his fine talk on "The Farm Loan and Farm Land Situation."

He sees in agriculture a power greater than the issues which it has raised recently, such as wheat and cotton stabilization, and even crop destruction. These questions will be forgotten some day, but there always will be the "necessity of cooperative endeavor, whether it be in the marketing of farm products, the management, leasing and sale of farm lands, or the actual operating processes of the farms themselves."

Tabulation Shows Why Companies Are Interested

Life insurance is keenly interested in the farm situation, for 14 companies alone as of Dec. 31, 1930, out of \$11,500,000,000 admitted assets had \$1,164,000,000 in farm mortgages, \$88,500,000 in farm real estate, \$20,600,000 in farm and real estate sold, to which title was retained and \$35,800,000 farm loans under foreclosure.

"Included in the group are most of the largest investors in farm loans," he said. "In order to crystallize these figures, let me recite a few rough percentages—first, in relation to admitted assets, the total farm investment, loans, lands and foreclosures is about 11½ percent. This, understand, covers the entire farm loan and land investment—good, bad and indifferent. Of this 11½ percent 88 percent are loans in good standing. About 9/10 of 1 percent of these admitted assets are in the form of farm real estate, but about ½ of this 9/10 of 1 percent has been sold under contract with title retained by the insurance company. About 3/10 of 1 percent of the assets are in the form of foreclosed loans."

Finds 88 Percent Are in Good Standing

"Among these 14 companies there is held \$1,200,000,000 in mortgages and \$109,000,000 in land, a total investment of \$1,309,000,000; there is in process of foreclosure \$35,000,000, which in this analysis is included in the live mortgages. This shows that of the total farm investment 88 percent is in good standing—9 percent in the form of land and 3 percent under foreclosure—a situation somewhat better than some of the alleged friends of the farmer would have us believe."

"I believe that the percentages represent approximately the agricultural record of the country. There is no convincing proof of this statement, but it seems reasonable to believe that these loans are no better nor no worse than the general run. Government reports

(CONTINUED ON PAGE 24)

Our Business Is GOOD, Thank You

"How's business?" That familiar question, now generally accompanied by a smile, meets a quick answer from us.

"Our business is good, thank you."

Every month so far in 1931 has seen more Life Insurance added to our books than the corresponding month in 1930.

There are several reasons — some outside and some inside our organization. You know the outside factors. What about the inside? A large credit must be given to our new policies based on even premium dollars, which representatives of this company are selling fast.

These policies have quarterly premiums of \$3, \$6 and \$9, with the amount of Insurance depending on the age of an applicant. Four different forms of policies are thus arranged.

Great Northern Life men have found that nearly everybody has at least \$3, and an average policy of around \$1,000 can be sold to many people under this plan, when otherwise they would not buy.

These policies are especially fitted to be used by new men in successfully getting started on a Life Insurance career.

Great Northern Life Insurance Company

110 South Dearborn St., CHICAGO

Expects Further Drop in City Real Estate Values

Life company loan men would appear to be justified in the belief that there will be a further recession in values of improved city real estate to the level that existed in 1914, before the world war upset the prior stabilized values and made it difficult to loan with any feeling of security for the entire period for which the loan was written, Wood Arnold, vice-president Kansas City Life, told the Financial Section Wednesday. His subject was "City Loans as Life Insurance Investments."

He said it was generally conceded when values were at their peak, that they were 100 percent higher than prior to the war.

Considers It Logical Values Will Decrease

"If the war had not occurred, how much would values that existed prior to the war have increased up to the present time?" Mr. Arnold asked. "If we concede that existing values today would not be as high as they are had the war not occurred, it is fair to presume that values will recede to a base level approximately what they would have been had the world not suffered a spasm."

"If, as already stated, realty values on improved property appreciated 100 percent and have gone back, say for the sake of argument, 25 or 30 percent on the average, the present plane of prices on improved real estate is yet in excess of 30 percent higher than those that applied in the year 1914. If this reasoning is logical, then are we not justified in presuming that there will be a further recession of values to the level that existed in 1914, plus the added cost of improvements which we are today putting into homes with the further addition of the building costs incident to organized labor?"

Executive Committee Personnel Important

"The first important precaution is the selection of an executive committee through whose hands the application for the loan must pass, and upon whom the responsibility rests to determine whether or not the loan offered is acceptable."

"The members of this committee should of necessity be men of wide experience, sound business judgment and well rounded through years of contact with investment problems of a diversified nature. They should also be more or less acquainted with conditions in the various cities where the company is making loans in order that they can determine readily whether or not an offering from some distant point has an appeal."

"Another important precaution is the creation of a well organized department for the handling of the details of the business. The inspectors should be men of broad experience who have been in the business long enough to be able to judge securities in a general sense and to take into consideration every possible feature that might enter into the making of good, substantial, liquid investments."

Attorneys Required Who Know Business

"The attorneys who are charged with the responsibility of examining abstracts of title, preparation of the necessary loan papers and other duties connected with the legal aspects of the case should be familiar with the laws of the various states in which the investor operates, and should be men of outstanding capabilities and broad vision."

"Sound policies should not only be worked out for the guidance of the home office but should be passed on to the correspondent in the field, in order that he may be fully acquainted with the

type of securities that will readily appeal to the home office committee."

"Proper understanding between the organization at home and the organization in the field is of great importance and will not only eliminate friction and dissatisfaction but will reduce foreclosures and other trouble to a minimum. Too liberal policies either at home or in your operating territory may lead to trouble; too stringent policies might stifle the efforts of the correspondents in the field and reduce their efficiency."

Selection of Cities Is Important Matter

"Of equal importance is the selection of the cities where loans can be made safely at a fair rate of interest. These cities should be visited by some one from the home office qualified to pass upon the desirability of the place selected as lending territory."

"The cities should be large enough to afford an attractive market in real estate transactions and should be surrounded by territory sufficiently adequate in size to insure proper support to the cities selected. This territory should be of a diversified nature in order that the selected city may not be so easily affected by failure of production in its neighboring territory. The tax rate, amount of bonds outstanding, transportation facilities and water supply are important factors."

Local Representatives Should Have Ability

"Great precaution is necessary in the selection of the local representatives. Contracts should be made with the idea of looking to permanency and, above all, the local correspondent should be a man of proven ability and some natural attainments as a credit man. He should have that peculiar element in his make up known as 'money sense.'"

"Residence loans should be confined to the best residential sections of the city, and business loans should be taken only on the main arteries of commerce. By best residential sections, I mean those in which values will in all probability show no rapid decline for a period of time running beyond the life of the loan. These localities should either be protected by a zoning law or by adequate restrictions."

Arnold's Company Has 50 Percent Limit

"We base our loans on a 50 percent, or a greater margin. We do not believe it would be sound business to exceed this ratio. If it is necessary to foreclose a property, such experience usually comes in a time of depression. There will inevitably be delinquent taxes, some delinquent interest to be taken into account and usually a rehabilitation expense. These, when added to the principal, should not prohibit the company from offering the security at an attractive price in order to move the foreclosed property quickly and recover principal and other outstanding indebtedness."

"There is one thing that the investor should remember. Irrespective of any advancement in the value of the security upon which he makes his loan, he can never hope to get more than the rate of interest prescribed in the mortgage contract. This being true the lender has no business taking any known chances, as he has no opportunity of capitalizing these chances out of any prospective enhancement in value."

"Never should a loan be made contingent upon the writing of life insurance. Each is a separate service to be rendered the public and each should be sold on its respective merits."

Medical Director Needs to Study Fellow Beings

Humanitarian factors in underwriting were discussed in the general session Thursday by S. J. Streight, assistant medical director Canada Life, Toronto.

"At the present time the world is confronted with the greatest problem in readjustment which it has experienced. Many are advocating nationalization of medical services, insurance against unemployment, old age pensions; governments are being forced to become increasingly paternal. There appears to have arisen a tendency, widespread and not confined to any particular class of the population, certainly greater than has previously been in evidence, to get something for nothing, or better, to acquire the necessities and comforts of life without any commensurate exertion.

Must Understand Underlying Principles

"We, who are engaged in the problems of life and disability underwriting, must understand the underlying principles upon which the present social and economic conditions have been built. We must endeavor to understand the underlying determinants of character. We must appreciate the value of sound training in the principles of physical, mental and moral rectitude. Moreover we must be able to realize what may result from the lack of such training.

"When times of adversity and misfortune descend upon us, how will the different types of our race meet the apparently insurmountable difficulties which arise? We must make it our task to understand the temperament of the people whose lives we are endeavoring to forecast, and attempt to estimate their probable reaction to unforeseen circumstances.

Expert Knowledge Always a Factor

"Statistical studies serve a useful purpose in that they provide a measure by which to determine the result of our selection; but we must study human reactions and instincts apart from the statistical aspects of the accidents of life. We should keep it clearly before us that there will always remain a substantial portion of our risks which can be assessed only by the application of expert knowledge, gained during years spent in the intensive study of the human organism, its thought processes, the history of its development, and in its relationship to its changing environment.

"It is not likely that we shall ever be able to replace successfully a sound training in biology, psychology, physiology, and pathology by a mathematical formula. Has the practice of numerical rating for impairments altered our perspective and concentrated our attention too much upon groups and too little upon the exact classification of the individuals who comprise the group?

Economic and Social Changes Important

"Those responsible for the selection of risks must be observant of changes in the domestic, social, economic, and other conditions of life which may affect the well-being of the entire community. Unemployment, except among the strongest characters, will affect adversely physical and mental health. Alteration in population, through declining birth rates and restricted immigration, will eventually reduce the prospect of further improvement in mortality.

"Reduction in birth rate is most marked among the higher social grades and better types of the population, with unquestionable disadvantage to the whole community. Changing medical opinion with regard to the treatment of physical ailments, widespread epidemics, such as influenza, the constitutional factor or diathesis, the influence of heredity, family tendencies, characteristics, or peculiarities, both physical and mental,

demand a careful study and must be approached with an understanding mind. The medical director, if he will interpret these signs, must indeed be wise in his generation.

Declares That Stricter Medical Examination Is Necessary

"In the effort to overcome sales resistance, there appears to be an unconscious tendency on the part of the field forces to touch lightly upon the importance of a thorough medical examination. This may have fostered a tendency on the part of many applicants to pass lightly over, if they do not entirely forget, information and events of an important character, which may have a definite bearing upon their insurability.

"This leads me to reiterate the need for a more searching physical examination and cross examination and a more thorough study, in every detail, of the individual at the time the application is received. Competition frequently enables an applicant to determine that re-

sistance on his part may make it possible for him to obtain insurance without submitting to such special study as some of us may think is necessary. It would be well if companies would cooperate even more closely in an endeavor to overcome this type of self selection.

"Is it sound underwriting to continue to base the selection of large risks upon one or more medical examinations, completed at the same time, and often under circumstances unfavorable to the making of a careful examination? We who are responsible for selection are called upon from day to day to make decisions of major magnitude upon insufficient or incomplete evidence. Do you require those responsible for the investment policy of your companies to work under similar disadvantages?"

Investment Men Must Keep Business Depression Proof

It is the duty of investment men in life companies to give their best thought to methods by which the selection of securities can be bettered so that they will be even more depression-proof than heretofore. G. C. Holmberg, treasurer Northwestern National Life and chairman of the Financial Section, declared

in prefacing the discussion in that group.

"We are in the midst of a business depression and a period of economic adjustment," he said, "which tends to emphasize the importance of the functions of investment officials in the life insurance business. No doubt most of us are having the somewhat unique experience of being called upon by policyholders or by agents to explain why we consider our investment perfectly safe, rather than why we can't produce a higher rate of interest return, which was recently a more fashionable form of inquiry.

Life Insurance Has Always Withstood Depressions

"We have had depressions before. We have had periods of unduly inflated real estate values and subsequent sharp declines therein. We have had bull markets and bear markets, and through all of these the institution of life insurance has heretofore emerged only to become stronger for the experience gained. We may consider that business depressions demonstrate the soundness of the conservative policies followed by the well managed companies and give the courage to adhere to these policies in periods of inflation such as we have but recently passed through."

Are You Looking For An OPPORTUNITY?



Royal Union Life Building
Cor. 7th and Grand Ave., Des Moines, Iowa

If you are not now under contract and are looking for a profitable and pleasant agency connection let us suggest that you

BUILD YOUR OWN BUSINESS

under our general agency contract in any one of the following States:

| | |
|--------------|----------------------|
| Iowa | Mississippi |
| Kansas | Missouri |
| Oklahoma | Montana |
| Texas | Nebraska |
| Ohio | North Dakota |
| Minnesota | South Dakota |
| Pennsylvania | District of Columbia |

ROYAL UNION LIFE INSURANCE COMPANY DES MOINES, IOWA

A. C. TUCKER, Chairman of the Board

J. J. SHAMBAUGH, President

Agents who desire

close home office help
and supervision
lead service
home office educational
work
friendly contests which
stimulate sales
a full line of life, acci-
dent and health pol-
icies
direct mail
backing by means of
advertising and pub-
licity
an understanding of
their problems
desirable territory
and a fair contract

which enables them to forge ahead are enthu-
siastic about this rapidly growing Western
company which has over 160 millions of in-
surance in force. If interested in represent-
ing a Western company which is well known
in the territory it serves, write direct to the
Home Office.

OCCIDENTAL LIFE INSURANCE COMPANY

Sixth and Spring Streets
LOS ANGELES
California

R. J. GILES
General Manager

MacDonald Gives Test for Bonds

Canadian Company President in
Address Which Is Investment
Handbook

PRESENTS KEEN ANALYSIS

Many Factors Demanding Considera-
tion in Buying Issues Are Shown
Graphically

Valuable tests which may be applied
in analyzing bonds for investment pur-
poses were presented before the Finan-
cial Section meeting Wednesday by C.
S. Macdonald, president and general
manager Confederation Life, Toronto,
Can. His address was an authoritative
and keenly analytical survey of the sub-
ject of "Bond Investments."

Some of the tests for public utility
bonds, he said, are:

Presents Tests for Utility Bonds

1. Legality; 2. seniority of the secu-
rity: holding company and operating
company (bonds, preferred stock, com-
mon stock); 3. capitalization of com-
pany: Ideal ratios—50 percent bonds,
25 to 30 percent preferred stock, 25 to
30 percent common stock; 4. territory,
served: Is it situated in prosperous in-
dustrial territory? Is there diversity of
industries? 5. kind of service rendered:
Electric power and light, gas transpor-
tation, etc. Preference is for companies
engaged particularly in sales of electric-
ity and gas, with largest proportion of
gross earnings derived from electricity;
6. franchises: Under what conditions
granted? Are there burdensome res-
trictions? Is franchise perpetual or ter-
minating, and if terminating, is it re-
newable, and for how long?

Balance Sheet Analysis Is of Great Importance

The seventh item is analysis of bal-
ance sheet:

"(a) Property account—Funded debt
should not exceed 60 percent to 70 per-
cent of value of property. Depreciation
reserve should be about 10 percent,
though many companies write down
plant values, and in such cases a smaller
percentage may be quite adequate; (b)
Current position—The relationship be-
tween current assets and current li-
abilities is of minor importance; the ratio
of 2 to 1 is quite adequate; (c) Other
items in the balance sheet to consider
are surplus and other reserves, un-
amortized debt discount, and expenses."

Analysis of income statement is the
eighth item:

"(a) Source of gross earnings, which
should be five times fixed charges. (b)
operating ratio—ratio of operating ex-
penses, taxes and maintenance to gross
earnings: (for steam electric compa-
nies 50 percent to 70 percent), (for
hydro-electric companies 20 percent to
40 percent); (c) depreciation should be
deducted before net earnings are cal-
culated; (d) times fixed charges earned
—usually interest is adequately earned,
if it is covered twice; (e) preferred divi-
dends should be earned at least three
times, since a reduction of 10 percent
in net earnings may cause a decline of
20 percent to 30 percent in net profit
available for preferred dividends; (f)
common dividends should be adequately
earned, and the dividend and earn-
ings record over a period of years
should be favorable.

"While numerous ratios are useful in
considering the position of the com-

Talks on Bonds



C. S. MACDONALD
President Confederation Life

pany, it is perhaps not advisable to rely
too much on these," he says.

"Management is one of the most im-
portant considerations. Most of the op-
erating companies are owned by one of
the large holding companies, and the
management is usually that of the hold-
ing company, and it is not easy to
value. It is advisable to know whether
the management record in the past has
been a success or failure in connection
with other companies."

In analyzing industrial bonds Mr.
Macdonald advises the tests are much
the same. Ideal capitalization ratios
are: Funded debt—25 percent to 35 per-
cent; preferred stock 15 percent to 25
percent; common stock 40 percent to
60 percent.

Questions to ask are: Is company en-
gaged in manufacture of a wide variety,
or only a few products? Are these
classified as necessities or luxuries? Are
patents exclusive, and over what period
of years do they extend? What are
possibilities of replacement by compet-
ing products? Does company maintain
research department, and is it scientifi-
cally developing and improving prod-
ucts? Is company one of the leading
units in industry, and is it maintaining
its position with regard to competing
companies? Is industry as a whole
prosperous, or are overexpansion and
keen competition likely to result in un-
successful operation?

Advices on Ratios to Employ in Analysis

Items in analysis of balance sheet
are: "(a) Current assets should be from
three to five times current liabilities,
while cash assets should be at least
from one to one and a half times cur-
rent liabilities. Cash and marketable
securities should be at least 25 percent
of current liabilities. Inventories should
not increase from year to year at a
greater rate than net sales.

"(b) The property account of an in-
dustrial company is not as important.
The main security behind the bonds of
an industrial corporation is its earning
power, rather than the value of fixed
assets.

"Adequate depreciation should be
charged at the rate of 7 percent to 10
percent per annum, and depreciation re-
serve should be 25 percent to 40 per-
cent of property value. Allowance
should also be made for obsolescence.

"Frequently where reorganization has
taken place, excessive values are placed
on assets in order to create a surplus
with a view to producing a more fa-
vorable statement. Some companies
will be found to possess 'hidden as-
sets,' which result from a building up
of excessive reserves, including large

depreciation reserves, and in such cases the property will be undervalued.

Analysis of income statements comes next:

"(a) Net sales for several preceding years should be available, and usually with a progressive company net sales will show an increase over a period of years. (b) The operating ratio for industrials varies widely, from 40 percent to 95 percent. A high operating ratio, of course, means a narrow profit margin, and a small drop in net sales, without a corresponding decrease in operating expenses, may easily wipe out net earnings. (c) In average years interest charges should be earned at least four times to insure safety in bad years. (d) Preferred dividends should be earned four times or better; while the common stock to qualify as an investment should show an earnings record of five years or more.

"Ratios for industrials are the same as for public utilities, though there will be found to be much less uniformity. "Successful management is even of more importance than in the case of public utilities.

Cites 16 Tests for Real Estate Bonds

Numerous tests also may be applied to real estate bonds, he said. These are:

"1. Location of property, which should be in a large and growing city.

"2. Building should be centrally located, and one for which there should be a real need. It should be modern and fireproof, and the life of the structure should exceed considerably the life of the first mortgage bonds.

"3. The valuation of the land and building should be very carefully considered, and should be the work of disinterested parties of the highest standing.

"4. The proportion of the bond issue should not exceed 60 percent of the value of the property.

"5. The architect and members of the contracting firm should be men of known and proved experience, with sufficient financial resources behind them.

"6. A surety bond should be furnished guaranteeing the completion of the building at a figure not to exceed the maximum price set forth in the construction contract, within a given time, free from all liens and encumbrances.

"7. The bond house underwriting the first mortgage bonds should be financially responsible, and fully capable of distributing the bonds and maintaining a good market for them.

Ample Resources Are Needed by Owner

"8. The owners should have ample resources other than their equity in the property, with a record of successful experience in ownership and operation, and should have invested in the enterprise a substantial amount of cash junior to the first mortgage, and to any subsequent mortgage.

"9. Earnings should be reasonable in relation to the total valuation of the property.

"10. Management should be in capable and experienced hands.

"11. All legal matters should be passed upon by competent legal authorities.

"12. All terms of the bonds should not exceed 20 years and ample provision made for sinking fund requirements, if the bonds are not redeemed serially.

"13. The proceeds of the bonds should be turned over directly to the trustee, and paid out only against the architect's progress certificates.

"14. Interest and sinking fund should be payable to the trustee for the bondholders at stated intervals, preferably monthly.

"15. In the event of the default the trustee should be given far-reaching resources.

"16. Last, but not least, the bonds should be purchased only from established bond houses, with a conservative record behind them."

Grant Sees Need To Inspire Men

Says Home Office Cannot Appreciate Jolts They Have Taken in Depression

NEED FULL ASSISTANCE

Makes Plea for Personal Contacts with Field, Education, and Spirit of Helpfulness

A number of "tools" are essential for agents today, W. T. Grant, president Business Men's Assurance of Kansas City told the Agency Section Friday in his address on "Warming the House for the Sales Force." Some of these are organized sales presentations, a high sense of appreciation of the business, the spirit that makes men "do or die"; intelligent training, careful supervision and stimulation, high standards.

"It is scarcely too much to say that every single change that has taken place in business since October, 1929, has emphasized the need for our service and increased the confidence in the institutions we represent," Mr. Grant said. "Yet notwithstanding this fact our production of new business has been less and our loss of old business has been more.

Must Make Allowance for Low Purchasing Power

"We must admit, of course, that volume of sales will not be wholly proportionate to the extent of the need. We must make due allowance for the real lack of purchasing power among many otherwise promising prospects for our service.

"But that is not enough to justify all the decrease in sales experienced thus far in 1931, for the very factors that have decreased the buying power of so many have increased the margin between income and living expenditures of as many more.

"It is the lowered morale of our sales force. It is the wearing down of their own confidence in themselves and in the ability of their prospects to buy that which they so obviously need.

Says Agents Need Warm Welcome Now

"I recommend that your attention be first directed not toward the sales force, but toward your own relations with the men representing you in the field. We must endeavor to meet and know as many of our sales force as is reasonably possible. No company is so large that a practical plan for the writing of personal letters to salesmen cannot be utilized.

"Here are some of the other factors that will make your house either a warm one or a cold one for him: (a) The promptness and accuracy with which replies to all his communications are made; (b) The promptness and completeness with which replies to communications from policyholders in his locality are made; (c) The promptness with which policies are issued on applications he submits; (d) The promptness with which death or disability drafts are issued after receipt of proofs; (e) The extent to which you endeavor to approve on some basis the applications he submits and the degree of sympathetic interest expressed when unable to approve for the form applied for.

"If the salesman's quarters are to be warm and comfortable there must be a reasonably complete and modern train-

(CONTINUED ON PAGE 20)

Accident : Life : Health

UNITED Insurance Company

Founded in 1919

2721 South Michigan Avenue
Chicago, Illinois

ISSUING

Industrial Accident and Health Insurance

Industrial Life Insurance

Monthly Premium Accident and Health Insurance

Commercial Accident and Health Insurance

Group Accident and Health Insurance

Ordinary Life Insurance

Invites Correspondence from Producers

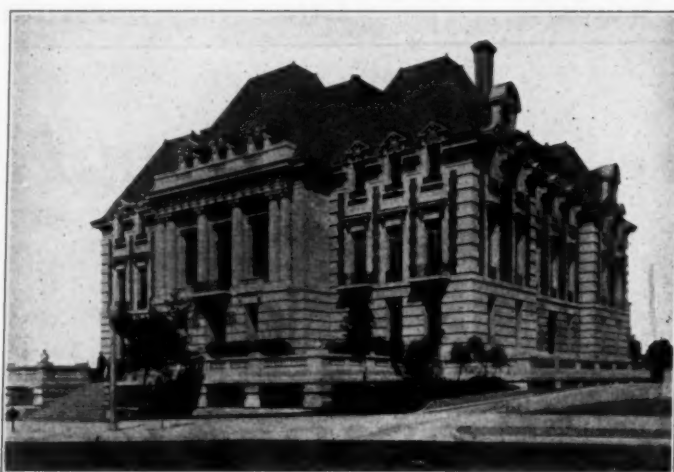
LEGAL RESERVE

\$300,000.00 CAPITAL STOCK

O. T. HOGAN, President

A. D. JOHNSON, Secretary

Accident : Life : Health



Home Office Building

We Offer **A Complete, Modern Life Insurance Service**

Which Includes

Policies for all ages, 1 day to 70 years
Children's policies with beneficiary insurance
Family Income Protection Plan
Disability and Double Indemnity
Surgical and Dismemberment benefits
Both participating and non-participating
Non-medical—Sub-standard
Sales planning and circularizing department
Producer's clubs

Territory available in seventeen states west of the Mississippi River, Illinois and Florida.

Write for a copy of "FIELD FEATURES"

James A. McVoy, *President*

Central States Life Insurance Company

HOME OFFICE—ST. LOUIS

Declares Conservation Is Largely Agent's Problem

Highlights of conservation experience of the Lincoln National were presented at the Agency Section meeting Friday by Vice-President Walter T. Shepard. He finds this largely a sales problem with which the agency force should be charged.

From this experience he drew one conclusion that companies might profitably extend the limits of their underwriting activities to include selection of risks from the viewpoint of probability of renewal, as well as mortality.

Scramble for Volume Has Been a Factor

Mr. Shepard said a "serious inquiry" might be raised as to how far companies have contributed towards a poor persistency record. The mad scramble for volume, he said, possibly may have caused some companies to overlook proper consideration as to quality of business. He pointed out that the test for an agency manager's achievement too often has been volume, and, he said, this being true, agency managers might be pardoned for being little impressed by the conservation problem and disposed to consider it the concern of someone else.

Mr. Shepard acknowledged the assistance of Earl C. Wightman, assistant secretary of the Lincoln National, who helped in preparing the paper.

Correspondence Alone Is Declared Futile

"The experience of the Lincoln National over a long period of years," Mr. Shepard said, "demonstrates quite conclusively the futility of home office efforts to reinstate business solely through correspondence direct with the insured. It is true that some business may be reinstated in this manner, but the results thus obtained are almost negligible, or at least in no wise at all commensurate with the cost or energy expended. Moreover, in a very large percentage of cases so restored, the job is a recurrent one, which is merely another confirmation of the frequently observed phenomenon that the shiftless are easily converted, but do not retain their fervor. Soft metals are easily heated, but chill quickly."

"This experience of the Lincoln National, which is confirmed by that of many other companies, might well have been forecast by a priori reasoning, for it is quite obvious that a cure presupposes a correct diagnosis. There are a thousand and one reasons why people lapse their insurance policies and unless one knows in advance just what reason may have prompted the instant case, the chance of any definite suggestion meeting the demands of the situation in hand is a long shot."

Policyholders Not Given to Divulging Reasons

"No doubt, if the policyholder could be induced to make a frank disclosure of the reason for his failure to pay the premium on his policy, some measure of success could be obtained solely through home office correspondence, but of course, such a condition is entirely antithetical to our common knowledge of human frailties. Moreover, even if such a happy turn of affairs could be brought about, anyone who has had any practical experience at all in the sale of life insurance could be nothing but skeptical in so far as expecting any outstanding results from direct correspondence was concerned."

"While direct home office contact with the policyholder is almost certain to fail of worthwhile results for the reason that it is too much like shooting in the dark, the home office does have a very definite responsibility with reference to the lapse problem. That duty consists of learning the causes of lapsation, devising methods of overcoming those causes and availing itself of every faculty available for the application of

those methods to concrete cases. In other words, this responsibility becomes one of analysis, invention and direction.

"In carrying out its conservation function, the home office must first of all determine why policies lapse. Having made such a determination, it must set up the proper organization to detect in advance every potential lapse—to recognize symptoms in advance of the disease—to earmark for special attention, cases likely to lapse. Having done all of this, it should immediately proceed with preventive measures. If, after having applied this prophylactic treatment, the infection still develops, then you must immediately call in a specialist. The situation then becomes a sales problem and only salesmen specialize in making sales."

"The practical application of our theory, then, demands that as the first step the creation of a conservation department officered by a high grade man of intelligence, shrewdness, enthusiastic nature, pleasing personality and unbounded energy. Such an officer should be given the assistance of a competent staff of specialists trained in actuarial theory, underwriting, planning, correspondence and salesmanship. Responsibility for the lapse ratio should center in such a department to exercise control over all those conditions which are conducive to lapsation."

"It should be the duty of the conservation department to determine why people lapse their insurance policies. They should conduct extensive research along these lines and compile accurate statistics designed to show either the presence or absence of a definite correlation between certain conditions and a high lapse ratio. They should be able definitely to advise the agents of the company what types of people value their insurance lightly. They should analyze the business of all agents whose lapse ratios are high and point out remedial measures."

No Longer Has Faith in Many Notices

"As a result of its comparative experience, the Lincoln National has lost its faith in redundant premium notices. Several months ago we changed this system by moving up the date of mailing the first notice to 15 days prior to the due date, by eliminating the first reminder notice and the third lapse letter."

"After all is said and done, however, the problem of persistency is a sales problem. Our experience indicates that the persistency of rural business is comparatively unfavorable. We also have suffered a high rate of lapse on insurance written on the so-called industrial classes. If this be generally true, you can hardly expect to have a favorable persistency ratio if a large proportion of your business comes from either one or both of these classes."

"Again, practically all observers have called attention to the fact that a high rate of agency turn-over has a deleterious effect upon persistency ratios. It is a well established fact that the so-called orphaned business does not renew well. This emphasizes the necessity of careful selection of agents with respect to the probability of their making a success of the work."

"High rates of commission lead to rebating which in turn is responsible for many lapses. Poorly trained agents breed dissatisfaction. Special drives for business lead to overselling. All of these conditions and countless others of a similar nature lead to high lapse ratios and all of these reflect unfavorably upon the agency management of the company. The best equipped conservation department in the world cannot hope successfully to cope with the lapse problem where such conditions are permitted to exist."

Redating Plans Used in Canada

Appeals to Those Seeking Protection but Unable to Pay Overdue Premiums

WHITE REVIEWS SYSTEMS

Canada Life Assistant Secretary Speaks to Home Office Management Section on Conservation

The rewriting plans of the Canadian companies were outlined by F. W. White, assistant secretary Canada Life, at the Wednesday session of the home office management section.

"There are two distinct rewriting plans in use by Canadian companies—known as 'Redating' and 'Rewriting,'" he said. "That commonly known as 'Redating' is used for the reinstatement of policies which lapse during the first two or three years before the policies have acquired any cash value. The so-called 'Rewriting' plan applies to the adjustment of policies which have been long enough in force to acquire cash values and which have loan indebtedness.

"In referring to lapses, we are reminded that Canadian companies regard as lapses only policies which terminate through non-payment of premiums before the automatic premium loan provision applies. Policies terminating thereafter are recorded as surrenders or cancellations. The lapses of Canadian companies are therefore, excepting for term plans, confined to the policies going off the books during the first three policy years, and the 'Redating' plan applies only to these policies.

Widely Used Redating Plan Is Explained

"The redating plan for lapsed policies is now well known and widely used. The plan was first adopted in Canada in 1916 by one of our largest life companies. It is now in general use by all Canadian companies with little variation in redating practice. The plan simply offers a method of reinstating lapsed policies by the simple expedient of rewriting the policy by means of advancing the date of issue to bridge over the period of lapsation. The policyholder is thereby enabled to again take up his policy just where he left off when it lapsed, without having to pay the overdue premium for the time the company has been off the risk. He receives credit for whatever premiums he has paid but, in most cases, he must pay a higher premium rate on account of the increased age due to the advanced date of issue.

"The use of the redating plan is confined to policies which have been lapsed for a certain period—usually for six months but not more than three years. Policies lapsed for more than three years would require payment of premiums beyond the three-year redating limitation. However, some companies will redate policies which have been lapsed for less than six months or for more than three years.

Policyholder Even Allowed Refund in Some Cases

"When a policy is reinstated by redating and changed to a lower premium plan, say from 20 pay life to ordinary life, not only is the policyholder credited with payment of the ordinary life premium for the time the original policy was in force, but a refund is allowed for the difference in the pre-

miums less the difference in commissions.

"If the policyholder wants the new date of issue moved forward to a more convenient time of the year, an interim term rate is charged for the period the policy date is moved ahead from the present time."

Companies Even Supply Redating Sales Talks

There are several variations to the plans which Mr. White outlined. The redating plan appeals to policyholders who realize the need of insurance protection but who cannot pay overdue premiums. Much business is thus reinstated which otherwise might have been permanently lost. Field men are being urged to reinstate lapsed policies on the redating plan, said Mr. White, some companies even supplying agents with "Redating Sales Talks."

Life companies in the United States, according to Mr. White, have a longer and wider experience in rewriting policies. Only recently have Canadian companies adopted these rewriting plans. Mr. White told of the rewriting plan used by one Canadian company in reducing terminations by eliminating loan indebtedness through the net reserve. The plan is available for policies with ordinary loan indebtedness,

it has, so far, been offered only in cases of policies where unpaid premiums have been carried under the automatic premium loan provision, and where no payment has been received on the loan for two years or more.

A simple plan is followed in calculating rewriting terms. Net reserve is found by deducting the total loan indebtedness from the gross reserve, plus dividends in the old policy. By referring to reserve tables, a reserve is found at a higher age and shorter duration which will be about equal to that of the net reserve. The new date of issue depends upon the net reserve available, and the new premium will be for the assured's age at such date of issue. An adjustment is then made between the reserves on the old and new policies, either by crediting a surplus to the premium due at the date of change, or, if necessary, charging any shortage as arrears. On the commissions on the rewritten business, the original agent is allowed the balance of renewal commissions, or four renewals of 5 percent, whichever is greater. The company which is using this plan is satisfied with the results so far and in one branch territory their records show that 26 percent of the policyholders who were offered this plan either accepted or made full or partial repayment.

Heads Legal|Section



ALLEN MAY
Missouri State Life

INDIANAPOLIS LIFE INSURANCE CO.

Growing

Steadily

1905. \$325,000.00
1,281,909.93
2,158,315.62
2,344,449.12
3,037,135.59
3,780,237.71
4,451,264.48
5,756,690.86
7,011,554.27
8,655,788.49
10,231,921.21
12,021,820.06
13,665,053.54
15,532,346.26
20,456,374.44
27,006,018.90
31,275,345.88
35,236,427.74
40,882,131.98
46,628,369.17
54,432,038.01
64,065,397.61
75,257,687.64
86,027,488.39
95,600,421.00
103,366,748.65
108,000,000.00

1931
to
Oct.

Mortality experience 1931 to Oct. 37.2%
Total Death Claims paid to Oct. 1st (40% of the expected) \$ 3,095,278.18
Total Dividends paid to Oct. 1st 3,016,091.22
Total Paid to and Invested for Policyholders 22,520,000.00

From the beginning the company has been mutual. Its purpose is to furnish sound Life and Endowment Insurance at the lowest possible net cost. We have never entered any race for mere size. We have consistently served our Policyholders and our agents to the limit of our ability. Our concern is "How well may we serve" rather than "How many." Our annual dividends show favorably with the best. The steady growth of the Company and the persistence of the business are evidence of a satisfied body of Policyholders. This is further evidenced by the commendable gains in 1931. The Company does not issue Income Disability Insurance.

We offer Managers the old-fashioned general agent's contract, with fair and liberal first year commissions and renewals. We give as much territory as can be profitably handled, and have experienced field supervisors to help develop new men. We give special agent's contracts direct with the company, keeping in close touch with them and encouraging and helping them in their work. We make our appeal to the type of men who have faith in the business of life insurance and in their own ability to develop a permanent place with cumulative income for themselves.

Frank P. Manly
President

In Indiana, Illinois, Michigan Ohio, Texas, California,
North Carolina, Iowa, Kentucky, Minnesota and Florida

For Agency address Home Office

Edward B. Raulb
Vice-Pres. & Counsel

FEDERAL LIFE INSURANCE COMPANY

Isaac Miller Hamilton, President

CHICAGO



WITH our multiple lines we have excellent opportunities for a few capable **MANAGER-PRODUCERS**; also for **PRODUCERS**. We issue the latest Life Insurance Policies—Participating and Non-Participating, with and without double indemnity and disability; Income for Retirement; Income for the Family; also Term Policies.

We issue the latest Accident and Health Policies including Non-cancellable, Commercial and Monthly Premium.

We also issue Group Life and Group Accident and Health coverages.

Federal representatives make money and "Stay Put."



If seeking a new connection it will be wise to secure our proposition.

If interested, address **GEORGE BARMORE**, Vice President
FEDERAL LIFE BUILDING, CHICAGO

Insurance Not Solution to Unemployment--Craig

Insurance is not the answer to major problems of unemployment, said James D. Craig, actuary Metropolitan Life, in his talk on social insurance. The principal task is to eliminate the causes of unemployment as insurance has been unable, and probably never will be able, to cover extended unemployment due to continued depression, Mr. Craig declared.

"Insurance is a science requiring the presence of certain factors for it to function properly," he said. "Whether or not insurance furnishes a practical means of dealing with unemployment is a question which has not yet been satisfactorily answered. The unemployment risk fails to meet the requirements of insurance in many respects. The experience abroad furnishes very pessimistic evidence as to the practicability of state unemployment insurance. In spite of this, the subject is receiving an enormous amount of attention by organizations of every type and representing all interests of society in this country. Experiments being conducted here under excellent auspices attempt to eliminate the weaknesses in state schemes and offer protection for those to whom it can properly be applied. Many experiments are under way and it is hoped that out of these some plan may evolve which will prove universally satisfactory. It is clear, however, and the sponsors of these plans fully recognize the fact, that the utmost that can be expected of unemployment insurance is that it can only provide a measure of protection against temporary loss of employment. It may provide some assistance to the man between one job and another, but not indefinitely, after he loses his job.

Difficult to Eliminate Unsound Principles

"It seems clear from a study of compulsory social insurance in Europe that the entire system abroad is in as great a state of flux as are the social insurance experiments now being carried on in this country.

"The adoption of a universal scheme substitutes one set of problems for another. Once established, unsound provisions are eliminated only with the greatest difficulty. The experience abroad brings out clearly the difficulties involved when the state mingles in business. It has helped to emphasize to students in this country that there are certain problems which employers and employees must solve jointly and that there are others which are clearly and

logically the business of the state. It has shown that there is a very fundamental duty falling upon the state for the care of the unfortunates of society unable to provide for themselves. It has demonstrated that there is a responsibility resting upon industry to devise an efficient mechanism on its own initiative, for the provision of security against the major risks of life, rather than to wait until the state is forced to step in.

Must Define Functions of Possible Contributors

"This responsibility of industry and commerce may be briefly stated: Reserves must be built up out of contributions of employers or employees or both which shall be readily available for redistribution to those employees or their dependents who meet with adversity through unemployment, illness, accident, old age, or death.

"Today the members of this convention, the authorities of the various states, the leaders among employers and employees, as well as those organizations which influence public opinion, would be well advised to unite in defining and proclaiming in the clearest possible terms the functions of the individual, the functions of the employer, and the functions of the state in providing economic security."

Must Have Funds Before They Can Be Distributed

Mr. Craig gave a very learned treatise on social insurance, reviewing developments in both Europe and the United States. The basic problem of unemployment insurance is that insurance is a redistribution of income and no income can be paid out through insurance until sufficient funds have been accumulated. "It must be repeated over and over," Mr. Craig said, "that those who have no income to redistribute, as well as those to whom the contingencies have occurred, are outside of the realm of insurance."

There is always a group of people, Mr. Craig pointed out, who have little or no income and attempts to create an artificial income for them under any insurance plan violate sound principles.

"It is fully recognized that no life insurance can be issued after death, that no accident and health insurance can be issued while incapacity exists, but despite this it is frequently assumed that unemployment insurance can be granted after employment ceases," Mr. Craig emphasized.

Problems of Management Told

A very detailed analysis was given by Harry A. Hopf, New York management engineer, in his talk "Whither Management." Mr. Hopf selected ten of the 42 companies licensed in New York at the time of the Armstrong investigation as a basis of his study.

At the beginning of 1907, the ten companies had in round figures \$1,925,000,000 insurance in force, which constituted approximately 18 percent of all the insurance, excluding industrial, on the books of the 42 New York admitted companies. There were 864,474 policies outstanding backed by \$461,423,000 in assets.

The affairs of the ten companies were administered by 105 executives with salaries amounting to \$854,683 annually. At the end of 1930, the total amount of insurance in force in the ten companies still constituted 18 percent of the aggregate in force in all companies licensed in New York and had increased to \$11,629,000,000, represented by 3,064,585 policies. Assets had reached \$2,473,757,-

000, executives numbered 301, with aggregate salaries of \$3,271,686.

"In the 23-year period the ten companies increased their insurance in force over 5.75 times; the number of policies nearly 3.5 times, and the assets over five times. The growth in the post-war period was materially in excess of that previously maintained, the average annual increases since 1918 being: insurance in force, 16.1 percent; number of policies, 7.7 percent and assets, 12.3 percent.

"During the period under consideration, selling expense increased from \$8,746,966 to \$45,201,065, or nearly 5.2 times; administrative expense from \$3,214,679 to \$16,967,930, or a little more than 5.2 times, and other expense from \$2,797,562 to \$12,307,687, or 4.4 times. Although selling expense manifested a tendency to increase its demands upon the expense dollar between the years 1907 and 1921, since the latter year it has been regularly absorbing less of the expense dollar. Over \$45,000,000 was

spent by the ten companies in 1930 on sales and allied activities. Administrative expense has shown a slight tendency to make increased demands upon the expense dollar. Other expense, which was at its low point in 1921, has been persistently higher in its demands upon the expense dollar up to the end of the period. In this classification there are included various non-controllable items of taxation as well as certain miscellaneous expenses which do not belong in the main classification set forth."

Factor of Increasing Size Manifests Itself

In conclusion, Mr. Hopf advanced the following statements from the management point of view:

"1. Regardless of temporary setbacks occasioned by economic conditions, the factor of increasing size will continue to manifest itself in the life insurance business for an indefinite period of time to come."

"2. In weighing the possible influence of this factor upon the accomplishment of management, it must be conceded that because of increasing complexity of operating conditions, the problem of development of executive man-power is becoming increasingly important."

"3. When viewing the operating results of a group of leading life insurance companies, it is apparent that for the time being the crest of accomplishment has been reached and that costs to the policyholder cannot safely be further reduced without modification of current practices which can be brought about only over a period of time."

"4. Among the most important of these modifications is a shifting of emphasis from the quest after volume to a realization of the need for effecting decreasing costs of operation."

"5. In the achievement of such decreased costs, it should prove helpful to visualize the fact that progress does not depend primarily upon size, but rather upon the provision of capable and purposeful management."

"6. The most promising opportunity for enduring accomplishment lies in careful, comprehensive and sympathetic inspection of fundamentals and in modification of existing conditions to fit in with a constructive program of development."

Judge Elliott's Lost Page

Judge Elliott, manager of the American Life Convention, gave the review of the chief legal decisions of the year affecting life insurance before the Legal Section. Judge Elliott on Sunday desired to run over his manuscript and found the first page missing. A diligent search was made in his suite which he had engaged for the use of the executive committee but the missing page could not be found. Judge Elliott's quarters were on the 15th floor. After much trial and tribulation someone looked out of the window and saw a sheet of paper lodged on the roof over the lobby floor. A bellboy was engaged to climb out over the roof and there was Judge Elliott's missing page.

SNAPS OF A. L. C. NOTABLES

C. C. Wysong, former Indiana insurance commissioner and former president of the National Convention of Insurance Commissioners, attended the meeting.

H. G. Scott, vice-president of the Reliance Life of Pittsburgh, was chairman of the local entertainment committee. Mr. Scott is one of the eminent executives and had a large part in looking after the arrangements for the Pittsburgh convention.

E. Lee Trinkle, vice-president of the Shenandoah Life of Roanoke, is a former governor of Virginia. He was occupying the governor's mansion at Richmond, Va., a few years ago when it caught fire and members of his family had to jump out of the window to escape. Mr. Trinkle gave four addresses the last two days of last week, one of which was at the dedication of the new stadium of the University of Virginia. He goes next week to Yorktown to attend the celebration of the surrender of Cornwallis.

Few Adequately Insured Despite Drop in Prices

Although the dollars constituting the cash value of life insurance are worth now approximately 10 percent more than two years ago, not one in 90 life insurance policyholders is adequately protected at the present level of prices, said Prof. W. B. Bailey, Travelers economist, at the Friday session in his talk on "The Function of Life Insurance in Our Economic Era."

One of the reasons frequently given for the great increase in the volume of life insurance purchased during the years 1918 to 1928, explained Professor Bailey, is the decrease in the purchasing power of the dollar. He added that many persons are asking whether life insurance sales are apt to decrease by the increase in the value of the dollar.

Few Adequately Insured at 1918 Scale of Prices

"If every man had sufficient life insurance to assure his family a comfortable income at the 1928 scale of prices," he asserted, "it is true that this income

would provide a more comfortable standard of living at present prices. But not one life insurance policyholder in 100 was adequately insured at the old higher level of prices. Not one in 90 is adequately insured at the present level of prices. In spite of its 100 billion dollars of life insurance in force, the American public was so under-insured in 1929 that the cost of living could drop to one-half of the 1929 levels and still a huge additional volume of life insurance would be needed."

If a man is going to weigh the advantages of depending in his old age for the protection of his family at his death or for his own support during the last years of his life upon the return from ordinary business investments rather than the proceeds of insurance policies, Professor Bailey said that three questions must be answered in the affirmative. These questions were given as follows: (1) He must assure himself that he will save his money as regularly in order to invest it as he will to meet

the premiums on his life insurance policies. (2) He must be confident that he can select his own investments as wisely as the treasurer of an insurance company. (3) He must be confident in his own mind that he will reach the expected age at death of those in his age group.

Companies Better Able to Handle Investment Questions

Professor Bailey said that unless a man is prepared to answer all three of the questions in the affirmative, enough life insurance should be carried to meet the requirement of later years. Life insurance companies, he added, are in the business to give practical answers to the three questions, and in a much more satisfactory manner than the average individual can ever hope to answer them for himself.

Commenting upon the changes in the value of the dollar, Professor Bailey pointed out that life insurance frequently effects an even greater change in the value of the dollar than deflation has caused in the last two years. He illustrated this by citing the example of a man earning an income of \$5,000 a year. The first \$2,000 of such an income, he explained, are what might be termed 100 cent dollars, inasmuch as they go to buy food, shelter, clothing and other necessities of life. The third \$1,000 of an in-



EDGEWATER BEACH HOTEL

on Lake Michigan—5300 Block Sheridan Road
Chicago

The Edgewater Beach Hotel is well known for its exceptional convention and conference facilities. It has been the choice of more than 60 insurance organizations of which 25 have chosen it more than once.

For complete information address W. M. Dewey, Managing Director

come of \$5,000 annually are not as important as the first \$2,000 of income, and they are described as only 90 cent dollars, since they go to buy the comforts and semi-luxuries in life. The dollars constituting the fourth thousand of income were said to be even less valuable than those which make up the third thousand, and Professor Bailey called them only 70 cent dollars. This fourth thousand, he explained, goes to provide more luxuries which could not be afforded if the total annual income amounted to only \$3,000. The fifth \$1,000 of income was described as being only 50-cent dollars, since it permits the purchase of additional luxuries and more expensive conveniences.

Changing the picture of the family involved in his description of earnings, Professor Bailey said that death or old age steps in and cuts off the \$5,000 a year income. If no provision has been made for the comfort in old age or for the members of the family, humiliations have to be experienced in order to obtain enough of the 100 cent dollars on which to live. The man with the income of \$5,000 a year pays his life insurance premiums out of the fourth or fifth \$1,000, or out of money that he has left over after he has bought the necessities and some of the luxuries of life. While the premiums for life insurance have been paid with 50 or 70 cent dollars,

Gives Pointers on Farm Mortgages

(CONTINUED FROM PAGE 15)

money. The price level of farm commodities seems to be somewhat out of control.

"Presumably, we have about reached the question, 'What does the future hold in store for the farmer?' First, we may safely conclude that after having discovered that the business of agriculture has been going on for more than 5,000 years, that none of us present are destined to outlive it. Seriously, however, it behooves those of us who are charged with the trust of investing millions of dollars in farm securities, to be on the alert. We must scrutinize conditions carefully and attempt to estimate as accurately as possible the trend of the future.

"Some students of agriculture claim that the United States must adopt and maintain a national land policy. Some writers claim, notably Donham, in his recent book, 'Business Adrift,' that in-

after death or retirement the life insurance company pays back 100 cent dollars, inasmuch as the payments are needed to buy the necessities of life.

evitably we will be forced to limit production to the point of filling orders for the home market only, for the reason that our export market for farm products is over, or nearly so. On the other hand, the editor of one of our leading farm papers is asking for stimulation of our export trade by an intelligent handling of foreign debts.

"We know that all farming systems must be built on what the soil will produce, and it has been demonstrated in the past that farms situated in well-developed agricultural communities have proven the safest security for loans. Newly-opened districts should be entered very cautiously. It is also advisable to guard against too rapid expansion of loan territory. In determining the amount of a loan we must watch our price level of farm products to see whether or not, on that basis, the amount of loan granted has an adequate margin of safety.

"Needless to say, the farm mortgage investor of the future, especially the life insurance company, will set up and maintain a staff well equipped to investigate thoroughly and exhaustively all of the elements surrounding each loan offered.

Looks on Inspections as Vitally Important

"Chief among the steps incident to investigating each application, is an inspection of the farm by an examiner employed by the company. Soil map surveys and reports issued by land grant colleges and the United States Department of Agriculture should be secured as rapidly as they are published.

"Frequently in the past investors have failed to pay sufficient attention to the individual responsibility of the borrower, and it is highly advisable to order from some commercial credit agency a personal report on the applicant, which will supply information concerning his resources, credit and standing in the community.

"Capable ownership yields commensurate returns, whereas mediocre ability simply enables the owner to hold on to his farm a little longer. The elements of a desirable loan require that both the borrower and the security must be good.

Gives Advice Regarding Loans to Corporations

"Farm loans to corporations, though few in number, should be the exception, and when granted should carry the additional individual guarantee of the principal stockholders. Complications frequently arise on loans to receivers, trustees, guardians, executors, or anyone acting in a fiduciary capacity. On loans approved to an applicant who has reached an advanced age, it is well to require an additional signature on the note, of a son or some other younger qualified adult, which will insure a continuance of individual responsibility, behind the loan, in case the borrower dies before the maturity date."

Farm Structure Is Found Sound

(CONTINUED FROM PAGE 15)

show that 40 percent of all farm land is un-mortgaged.

"It is easy to date the inception of all our troubles in the war years and to account for them by the war itself. There is the temptation to make someone other than ourselves bear the brunt of the blame and it is easy in our minds to find these other interests. For the purpose of this discussion let us consider the years 1914-1924 as war years."

Farmer Unable to Curtail Production

Mr. Westbrook said perhaps the government in war time started the fireworks by its drastic conservation methods which in effect were price guarantees. Farmers sold livestock and specialized in crop raising with wheat a \$2.50 a bushel, corn at \$1.50 and cotton 20 cents. Farmers now are suffering from those days of frantic spending. Other industries with the end of the war were able to resume their peace-time gait but farmers, who Mr. Westbrook said, had no machinery suitable for regulating production to a decreased demand.

"The protracted depression has shown clearly the definite interdependence of all three; that interest and principal on the mortgage and taxes on the land cannot be paid without a crop, that crops cannot be produced without production credits and that production credits have become impaired and in sections have been wiped out through the combined failure to control production and to finance effectively for the farmer the marketing function," Mr. Westbrook said.

Farm Conference Is Behind Big Program

"Through the insurance farm conference there have already been set up ten so-called regional property owners' associations composed not only of interested life insurance companies, but of many other important owners of foreclosed lands like the land banks, local banks and trust companies and state credit associations.

"These organizations are attempting a three-fold program. First, they are compiling on a regional basis statistics similar to the conference compilation, but including a far greater range of interests. Second, they are providing a meeting ground where all these unwilling owners can discuss the many problems of management, leasing, appraisals and sales, which so definitely affect not only the land problem, but the loan problem as well—and 88 percent of our investment is in loans.

"Third, they are attempting judiciously to bring before the farmer himself the real character and attitude of these financial institutions, to convince the farmer (and ourselves, too, because we sadly need it) of the dignity and responsibility of land ownership. They are on



FRANKLIN

A Name with a Life Insurance Meaning

Forty-seven years of reliability and responsibility
Real Home Office contact and co-operation
A complete line of modern life policies
Non-participating, guaranteed low cost rates
Known for financial stability, strength, promptness
Legal reserve "old line" Company, organized in 1884
Insurance in force January 1, 1931, \$225,000,000.00
Named after America's greatest exponent of thrift.

The
FRANKLIN
LIFE INSURANCE
COMPANY
 SPRINGFIELD, ILLINOIS

Farm Investment Ratios Given

Total Farm Loan and Land Investment \$1,273,100,000 100%

Total Farm Loans in good standing \$1,128,200,000 88.6%

8.5% Total Farm Real Estate Including Contract Sales \$109,100,000

2.8% Total Farm Loans in process of Foreclosure \$35,800,000

1.7% Farm Real Estate Included above sold under contract \$20,600,000

In his talk on the farm loan and land situation, S. F. Westbrook, vice-president Aetna Life, presented some interesting figures on the experience of 14 companies in the farm investment field, which are incorporated in the above graph.

record as desiring that agricultural land should be owned and occupied by farmers, by men whose heredity and training have been in tilling the soil, and that purely financial institutions have no appropriate place in agricultural land ownership and operation. If this serious and well considered attempt is to succeed, it must receive the earnest support of every land owner and every unwilling owner should be a member of the nearest available regional association."

Insurance Itself Factor in Losses

(CONTINUED FROM PAGE 11)

that we can escape such attempts to defraud. Many of these are clever, and the feigning of paralysis, epilepsy, injured back and all types of nervous disorders is very difficult to detect. Unless positive proof of malingering can be secured these cases are difficult. In case of litigation there is always a question of fact for a jury with the chance of success for the company slight. Much as we dislike to compound a fraud, discretion is sometimes the better part of valor, and it is remarkable what speedy cures a small payment in cash will often effect."

The neurotic type of individual, he said, is entirely different. Although he may have no physical basis for his condition, nevertheless to him his disability is real. Mr. Pauley cited the explanation of this type given by Dr. J. C. Gill, professor of neurology at the University of Chicago, at the recent meeting of the International Claim Association. They are victims of an unstable, unreliable nervous system due to faulty heredity or improper environment in childhood and run away from a situation they do not know how to face.

Seek Solution in Disability Insurance

"Is it any wonder then," Mr. Pauley asked, "that in these distressing days of financial difficulties and lack of work, they run away from the troublesome problem of how to support themselves and families, and seek a solution in their disability insurance? They are all open to suggestion from the physician, the lawyers, the wife and family, and many other sources. Every disability claim paid suggests this way out to such a person if he has disability insurance."

He gave as an illustration a man who fell down an elevator shaft and received a blow on the head. He was unconscious for a few minutes only and x-ray showed no fracture. Physicians reported that he was not suffering from any organic condition and was not necessarily disabled. He was dominated by his wife, a strong-willed woman, and for five years she has kept him from attempting to work and has withstood litigation and the sincere efforts of her own attorneys to effect a settlement.

Insurance Factor in Prolonging Disability

While there are plenty of cases in which the disability insurance is a contributing factor in the cause of disability, the ones where insurance becomes a factor in the prolongation of the disability are many more. "It has become almost axiomatic with me," Mr. Pauley said, "that in a case of real disability lasting more than a year, where there is sufficient insurance to maintain insured and family, there will be no recovery without some pressure on the part of the company. In a year the insured has adjusted his thinking to his changed condition of life. His disability insurance has become an annuity. If he were dependent on relatives or friends or charity it would be a blow to his pride, and he might be stirred to some effort to make his own living, but he falls back on his insurance with a conscious pride in his own judgment and foresight in preparing for such an emergency. If his disability insurance is not

sufficient to maintain his style of living he adjusts his mode of life to meet that income."

He cited several cases where claimants of this type had refused liberal offers of settlement and insisted on a continuance of their annuity.

Problem to Rehabilitate Claimants Mentally

On the question of what is to be done in cases of this kind, Mr. Pauley said that the problem for the claim man "is largely one of restoring the will power, and changing the condition of mind from one of passive dependence upon his insurance, to a desire to return to a life of activity and usefulness. It is a problem of rehabilitation mentally, more than physically. Most claimants have no job or position waiting for them. If they were business men, their business has failed or been sold, if professional men their practice is gone. Many have suffered physical impairments which requires a change of the nature of the work done. Disability is frequently due wholly to lack of any suitable work, and it becomes necessary for the claim man to find something.

"Since suggestion is a powerful factor in the disability of most of these people, counter suggestion should be employed. The company's physician can be of great help, the claimant's own physician should be cultivated, and if he can be enlisted in an effort to get the claimant back to work his help will be most valuable. The claimant's wife and family may easily be the determining factor, and if they can be imbued with new ambition for the husband or father, it will frequently solve the problem. All of these things have been found to help, but after all necessity is the most powerful stimulant, and none of these things will accomplish much, unless accompanied by the more or less veiled threat that the company may withhold further payments unless some effort is made to resume work."

Methods Used to Get Pensioners Back to Work

"Many such claimants are salesmen, business men, professional men, of good education and training. In our own agency departments we have the very best of opportunity to rehabilitate these men, and no doubt many of them can be made into successful insurance salesmen. Usually these claims can not be terminated suddenly. Sometimes continuation of benefits for a time is best, occasionally part payments for a limited period. Frequently a cash sum to furnish a needed reserve, or to establish the insured in a new business is necessary. If employed in the company's agency department a salary equal to the disability benefit may be effective. In cases where there is danger of a physical breakdown as the result of resuming work, an agreement to restore the insured to benefits immediately, in case of a recurrence of his trouble is frequently all that is necessary. This has been found particularly effective in tuberculosis cases where the danger of recurrence is always present.

"These efforts at rehabilitation, even if not effective, have their value, for they disclose the insured's real mental attitude, and his failure to make any effort to cooperate reveals him in his true light as having become a malingering, either consciously or because of a neurotic condition of mind."

He told of methods he had followed to get these pensioners back to work, including one where the company finally bought one man a chicken farm in order to give him some employment.

W. C. Schuppel, vice-president of the Oregon Mutual Life of Portland, who was general chairman of the arrangements committee when the National Convention of Insurance Commissioners met in his city in September, went on to Hartford to confer with the Life Insurance Sales Research Bureau and then went to Pittsburgh for the American Life Convention.

OUR ONLY BUSINESS

Conserving Legal Reserve Life Insurance
Today's Vital Problem

Service to Insured and Beneficiary
Through Conservation Work

including

Prevention of Lapses
Caused by Loans and Liens

Reinstatement of Lapsed Insurance
By Conversion of Extended and Fractional Paid-up Insurance

Seventy Per Cent of the Business Which
We Have Rewritten for Seventy Companies Pays the Next Annual Premium.

The Otis Hann Company, Inc.

JACK ROBERTS HANN, President

333 North Michigan Ave.

Chicago, Illinois

—in Times
like these

THERE'S satisfaction in continuing to build a progressive organization.

Central Life—now in its thirty-sixth year—looks forward to another year of aggressive activity in the Middle West.

Men interested in Central Life Agency Managerships should write Pearce H. Young, superintendent of agencies, for personal interviews.

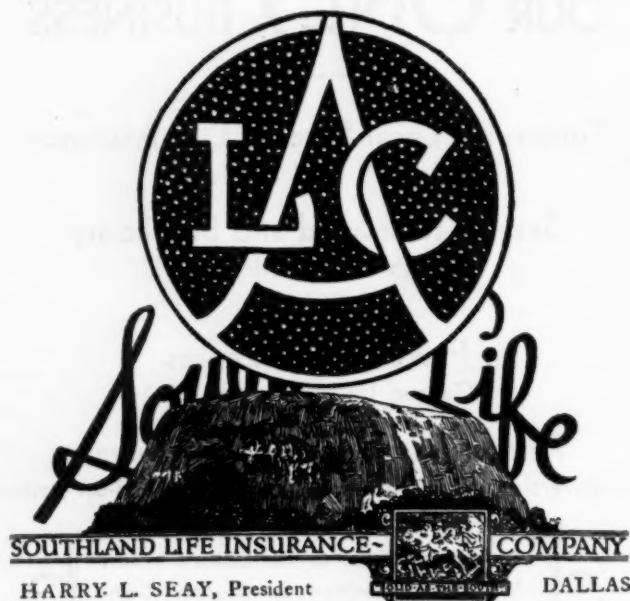
Central Life
Assurance Society

(MUTUAL)

T. C. DENNY, President

DES MOINES

IOWA



HARRY L. SEAY, President

DALLAS

In their strength is embodied the
safety of the American Commonwealth

Pittsburgh, October 4-9, 1931

ROCKFORD LIFE INSURANCE COMPANY

GENERAL AGENCY OPPORTUNITIES IN

Arkansas
Georgia
Illinois
Indiana
Iowa
Kansas
Michigan
Minnesota
Missouri
Nebraska
Ohio
Tennessee
Texas

ROCKFORD LIFE INSURANCE COMPANY

Rockford Life Building

Rockford, Illinois

President Francis L. Brown

Rockford Life Building,
Rockford, Illinois

Dear Sir:

SEND ME THE MESSAGE!

Name

Address

City..... State.....

Disability Claim Angles Reviewed

(CONTINUED FROM PAGE 11)

permitted him to move about somewhat. He was not heavily insured but carried enough in several companies so that the disability benefits were ample for his maintenance in the town where he lived. After the disability benefits had been paid for some time, he was invited to visit the home office so that more accurate first-hand knowledge could be obtained about his condition.

The examiners there came to the conclusion that he had an hysterical paralysis. He walked with great difficulty when observed and both he and his wife declared emphatically there was little or nothing he could do for himself. He could not work around the home and was, of course, unable to drive an automobile. It was noted, however, that the couple had arrived in Hartford in their car. He was followed when he left the office and it was found in the first place that he walked down the street as any normal man would. When he reached his automobile, parked some distance away, he reached into his pocket with the "paralyzed" arm to get the key to his car, climbed in, sat down behind the wheel and presently, with his wife beside him as a passenger, drove off through the center of the town in the midst of noon-time traffic. When these facts were brought to his attention upon his return home, his pension was terminated without difficulty.

Department Head Should Have Control of All Claims

In regard to claim department organization, Mr. Metcalf said that this department should have complete control of all claims—life, disability and double indemnity if issued—and one man, the head of the department, should be held responsible. His hands should not be tied nor his activities restricted with a "claim committee." The medium sized company can not maintain a corps of field men and must rely on outside sources to a large extent. Mr. Metcalf said it makes less difference as to what independent inspection or investigation service is used, if the claim department head is willing to devote thought and time to directing the inquiry, just as he would with his own men. "If, however, you are going to furnish a brief synopsis of the case for the agency and if this is on your mind, it makes a great difference who does the work."

More Than One Company on Risk Complicates Problem

The fact that more than one company is generally found on a disability risk in some ways simplifies the problem and in other ways very definitely complicates it. There will be more people constantly watching the assured, or who should be doing so, and it will ordinarily mean more medical evidence in that two companies very seldom will use the same examiner. On the other hand, complications may arise through different coverages not thoroughly understood by the claimant, whereby one company pays sooner or pays more than another, or where one company has allowed benefits in a case admittedly open to question upon serious consideration of the facts. Mr. Metcalf said that the best results will accrue if all companies interested will cooperate in the handling of a claim. This makes possible more complete investigation and avoids duplication of effort. There is also a good psychological aspect in concerted action.

Asked to Lift Policies in Cases of Over-Insurance

Another disability problem for the claim department arises in cases of over-insurance, where it is occasionally asked to lift policies because of misrepresentation in connection with disability benefits issued by other companies. "Such work," Mr. Metcalf said, "must be done in connection with policies that are still within the contestable period unless the

company has been foresighted enough to except from their contestable clause benefits in the event of total and permanent disability. Some companies have done this and it has been the means of saving them considerable sums of money. It means that although the life portion of a contract may become incontestable after a specified time, whenever information is secured indicating misrepresentation of a material character in the application or in a reinstatement, if handled properly, the company can resist disability payments and can institute an action asking for reformation of the contract with the end in view of having it rewritten with no disability benefits whatever."

Cooperating With Claimant in Period of Rehabilitation

Still another troublesome question is that of how far a company should go in cooperating with a claimant during a period of rehabilitation, after an admitted period of disability. Several plans have been followed. One, which Mr. Metcalf does not regard favorably, is to permit the claimant to work, with the understanding that whatever is earned will be turned over to the company to offset the monthly allowance. He said that his company has tried with some success the plan of having an insured report monthly the number of days he has worked and making a proportionate reduction in indemnity. Still another method is to allow the claimant to work and take no cognizance of it until the returns are sufficiently substantial to warrant a discontinuance. That, he said, is undoubtedly the most common procedure and generally the most practical.

As all these plans have met with some opposition on the ground that the disability in such cases is only partial and consequently any allowance is repugnant to the policy intent, he said that the insured feels that the company is endeavoring to help him, he is stimulated to try to work on a part-time basis, without fear that his income will be summarily cut off. The company on the other hand stands to win, for in the average case which has been of long duration, the claimant will be restored to his normal life more promptly than he would had the company endeavored to adhere to a more literal interpretation of the policy language.

Grant Sees Need To Inspire Men

(CONTINUED FROM PAGE 19)

ing program. I am strong in my own belief that a training course prepared at the home office and with great thoroughness is essential.

"One of the newer ideas in insurance salesmanship that is proving an effective aid to the new man is the development of the organized sales presentation. If there is any here who are not utilizing them let me ask you why? If you wish proof of their need have almost any one of your men conduct a sales interview in your presence, and note the things he says that you wish he had left unsaid."

The Association of Life Insurance Counsel has prided itself on the fact that it got out in pamphlet form copies of papers read four weeks after its meeting. The Legal Section of the American Life Convention has been getting out six weeks after its meeting a copy of all the proceedings with the papers and discussions under one cover. This year General Manager Elliott got on a burst of speed and the members of the Legal Section will receive copies of the papers in pamphlet form on their desks when they arrive home from the Pittsburgh meeting.

The Legal Section this year especially missed the late Dan W. Simms, counsel for the Lafayette Life. Colonel Simms, a gray-haired veteran, was one of the founders of the Legal Section and served as its chairman. He was one of the most forceful members. He always sat on the front seat and never missed a session.

Judge Elliott Reviews Legislative Activities

The legislative activities of the year were reviewed by Byron K. Elliott, manager and general counsel, in his annual report. No agitation for changing the methods of taxing life insurance companies appeared at the last session of Congress but at the approaching session, Judge Elliott predicts, some change might be made in the revenue laws to take care of the special levies for unemployment relief, pension schemes, compensation to service men, etc., which are being sought.

Forty-three states had regular legislative sessions and seven special sessions. Approximately 1,000 of the multitude of bills examined in the executive office were reported to members in the legislative bulletin. A very small percentage of the measures offered were enacted. As a measure to curb oppressive taxation tendencies it has been suggested that premium notices bear a statement to the effect that a certain percentage of the premium is for state tax.

Two States Increase Insurance Premium Tax

Nine states introduced measures to increase the existing premium tax rate and in two the measure succeeded, Arkansas raising the rate from 2 to 2½ percent and South Carolina from 2 to 3 percent.

The proceeds of life insurance were awarded additional exemption from inheritance tax in a number of states," reported Judge Elliott. "Indiana, Ohio, Pennsylvania and Wyoming now exempt such payments where they are made to beneficiary other than insured's estate, or to a trustee for the benefit of designated beneficiaries. North Dakota and Oregon grant the exemption where proceeds are payable to beneficiaries other than insured's estate, while the

Oklahoma attorney general also ruled favorably in this respect. New York, however, amended its inheritance tax law so as to limit the exemption to that provided by the federal law. Florida, which has heretofore refused to adopt an inheritance tax law, this year placed such a law on its statute books; the insurance exemption is \$40,000 as in the federal law.

"A trend toward greater exemption of life proceeds from the claims of creditors is discernible in a number of states. Arkansas, North Carolina, Rhode Island and Wisconsin adopted the language of Sec. 55a of the New York insurance laws. Other exemption measures were adopted in Arkansas, Indiana, New Hampshire and Wisconsin, while North Carolina voters will be called to pass upon a constitutional amendment permitting exemption of proceeds payable to wife or children, both during insured's lifetime and after death.

"Investment bills were considered in 15 states. An entirely new investment law was adopted in Ohio. Colorado authorized the investments in incumbrances on realty. Indiana added bonds of federal land banks and joint stock land banks to the list. Oregon permitted the investment in or loans upon stock of another insurance company to the extent of 10 percent of an amount equal to the capital and surplus. An Illinois statute provided for limited purchase of industrial stocks and prohibited the purchase of stock of other life companies. New York, Connecticut and New Jersey made minor changes, while Texas rewrote its investment law.

"Compulsory investment bills similar to the Robertson Law in Texas came to light in Arkansas, Colorado, Florida, Massachusetts, Minnesota, Nebraska, North Dakota and Oklahoma, but were defeated in each state."

HULL GIVES VIEWS ON LIFE INSURANCE

(CONTINUED FROM PAGE 10)

suffering just from another financial depression, but from a serious breakdown in the whole American system of living, economically. And you in American life insurance are to be chiefly the creators of a new system, promoters of a new science, that of perfecting human relationships and bringing them up to the level of the material sciences.

Security and Not Capacity for Future

"Slowly but surely this nation is beginning to realize that there is no real value in machines and materials—no value in railroads, factories, products, things, except as they find expression in terms of human activity. All value is in man; the working, thinking, fighting animal. Except as he becomes secure in his enjoyment of things, and except as his income is stabilized for their purchase, the increased whirl of machinery is futile; enlarged plant capacity only deepens distress. We are leaving the mechanical age, and the one which we are just entering will be known as the age of wider human understanding."

"The next ten years will demand that business exercise its leadership in evolving measures for insuring a maximum of economic security for the consumer—not a maximum of productive capacity in the worker. The maintenance of American standards of living will take precedence over productive processes.

Must Make Individual Provision for Future

"The only way for the nation to build a solid economic position against the next depression is through individual provision for the future. Saving something above the daily requirements of

living is the only process through which the mass of workers in this country can be safeguarded and secure in the enjoyment of a portion of the wealth which they produce. Out of their industry of today, they must create their own security for the future.

"Into this situation, the institution of life insurance steps as if it had been conceived solely for that purpose. Instead of thinking merely in terms of goods and production, we shall now begin to apply to human life values the same scientific treatment that we have for so many years applied to the organization and management of property.

Reserves Are Needed Against Life Values

"The establishing of reserves against depreciation of and danger to our tangibles, has become a part and parcel of our whole economic thinking. Now you, in American life insurance, see, and you must be more effective in bringing others to see, that unless the same reserves are set up against the character and ability of those who must become consumers, mere stabilization of the conditions of their work or of the months of their employment will fail miserably when the next crisis comes.

"And you must make others see that the fat years must create those life value reserves against the lean years out of current income, just as scientifically as in the other realm business has been accustomed to accumulate its surplus out of current profits.

"The reason why such a large percentage of our people have suddenly gone so far in the direction of thrift and retrenchment, is because they are pinched with fear, and stricken by their

The STANDARD LIFE INSURANCE COMPANY OF AMERICA

HOME OFFICE, PITTSBURGH, PA.

extends a cordial greeting
to the American Life Con-
vention convening in our
city.

If we can serve the visiting
delegates in any way while
in attendance at the Con-
vention, it will be a pleasure
to do so.

John C. Hill
President

J. D. Van Scofen
Vice President
Director of Agencies

Elgin A. Hill
Secretary

Our Home Office is open to you.
Location: 345 Fourth Ave.

1887

1931

FOR FORTY-FOUR YEARS
AN EXPONENT OF GOOD
SOUND UNDERWRITING

Bankers Life Insurance Company of Nebraska

Home Office - - Lincoln, Nebraska

H. S. WILSON, President
F. M. SANDERS, Secretary
A. B. OLSON, Mgr. of Agencies

A Field-Minded Management Assures Success to Those Capable of Building Agencies

Some of our Equipment :

An Educational Course that teaches the fundamentals of life insurance, giving the new agent confidence in himself and enabling him to approach the public intelligently.

Field Schools conducted by an instructor of national repute who bases his teaching on experience, assisted by able and aggressive life insurance men. Actual field training given.

A complete line of policies from birth to age 65.

Accident and Health insurance.

Direct Mail circularizing. No need for the agent to make a cold canvass. The company's Direct Mail service is at his command.

Leads from periodic mailings to policyholders—family leads—advertising leads.

Attractive sales literature—booklets—folders—cards—sales visualizers—calendars—wallets—lighters—coin clocks.

A friendly organization

Attractive Openings

| | |
|------------|--------------|
| California | Ohio |
| Illinois | Oregon |
| Iowa | South Dakota |
| Michigan | Texas |
| Minnesota | Washington |
| | Wisconsin |

**The
OLD LINE LIFE**
Insurance Company of America
MILWAUKEE, WISCONSIN

*"Where there is no Vision
the People Perish"*

AGENCY CONTRACTS WITH VISION

Some excellent territory now available.

Full Home Office Cooperation at all times.

Unusual services for Agent and Policyholder.

Write us today for details!

**George Washington Life
Insurance Company**

Charleston, W. Va.

Established 1906

own improvidence and insecurity? Fear, because out of the last period of their prosperity they did not even begin to build the elements of an estate. Fear, lest the cherished ambition of an education for their children may not, after all, come to fruition. Fear, lest they die too soon and leave their dependents helpless. Fear, even lest they themselves may live too long and become a burden to their children.

"The machine age and mass production call for free spending, yes, and espe-

cially when the machine falters and breaks down, but much further back than that they call for a backlog of individual security and peace of mind which life insurance and it alone can supply. All the savings deposits in the world will not flow into the channels of trade, in times of distress, until and unless the fears and uncertainties even of the thrifty have been scientifically provided against. And what other institution is there which can banish those fears and uncertainties except yours?"

LIFE INSURANCE ADVANCES STEADILY

(CONTINUED FROM PAGE 9)

was to the same effect. There are, however, a respectable number of company executives and high authorities who have positively opposed the entire elimination of the benefit as far as their own companies are concerned. Several of the smaller convention companies have dropped income disability without finding such action any disadvantage in competition. A number of others have reduced the proportion of business written with the benefit to 2 percent or 3 percent of total volume. Few companies are emphasizing it in selling.

Certain Number of Changes Will Be Made

"It is certain that a number of changes will be made in the method of underwriting the benefit by those companies who will continue it in the next year. Already low limits have been set upon the maximum amount to be issued by the company to any one policyholder, and an attempt is being made to observe aggregate limits. It is interesting to note that in answer to a query as to whether a change in underwriting the benefit would eliminate the losses, 13 companies answered in the affirmative and 94 in the negative. Among these replies appeared the comment that even the strictest underwriting would not project itself sufficiently far into the life of the policy to effect much control over losses. Greater emphasis, however, was laid upon the need for co-operation between the companies in the settlement of a given risk.

"Many changes in the form of the benefit have been suggested. Lengthening the period required for presumptive permanence to six, nine or 12 months is widely advocated. Eighty-one of the convention companies favored this change, although a number of them called attention to the fact that the losses were due not to a frequency of the claims but to their intensity and duration, and that the borderline case claim will as readily wait the extra time required as he would the usual three or four months. However, a lengthened waiting period would eliminate the accident claim of short duration.

"A majority of the companies favored writing the benefit so that all payments thereunder would cease at age 60, and some at age 55. There is a strong inclination to reduce the benefits from \$10 to \$5 per \$1,000 of insurance. Sixty-nine Convention companies favored the reduction. Many of them thought such reduction would not only cost less per claim, but would improve selection.

"A rate increase has its support and its opposition. Rates established in past years have now been acknowledged to be inadequate. It is yet too early to determine the entire effect of the general increase effected during the summer of 1930. A great deal of the business now on the books was written with an inadequate rate and the companies must face an eventual loss on this earlier business, regardless of what may be done about rates in the future.

Business Insurance Has Bright Future

"So-called business insurance has received further emphasis during the year. The maturity of many large policies upon the lives of officers of commercial organizations has brought home to business executives the possibility of

compensation for the loss of the men whose continued services are of great value. From the company standpoint, a rather high rate of lapsation has followed this type of insurance into the depression. Retrenchment and economies have resulted in the surrender of many policies of this kind. Nevertheless, as the country climbs back to normal times the field for business insurance will be greater than it has ever been in the past.

"Traceable to a large extent to the condition of business was an unprecedented series of suicides which occurred during the year. Here the losses in double indemnity also mounted rapidly. In many cases no one doubted but that death was the result of self-destruction, and yet the stage had been so set not to resemble suicide that there was sufficient evidence to convince a jury that there had been a fatal accident. In instances of this type the companies are defenseless and required to pay numerous unjust claims.

Jumbo Risk Losses Small Compared to Total

"Further study has been based on additional bad experience with large policies or 'jumbo risks.' So unfavorable has been the experience on very large coverages that the limits have been drawn down. Fortunately this source of loss, unlike income disability, has a comparatively small amount of volume already written and an altered underwriting practice can be immediately effective. Its solution requires observance of aggregate limits, as well as individual company-issue limits.

"The importance of adequate surrender charges has received emphasis during the period of sustained high rate of surrender and lapsation. The companies which have declined to yield to the competition upon 'values' are now saving the investment they have in much of the business which is surrendered. When the policyholder, for his own reasons, decides to call off the insurance relationship with the company, it is only equitable that the company retain as nearly as possible what it has expended to establish that relationship.

Commissioners Should Retain Posts Longer

"Fourteen changes were made in the personnel of the insurance commissioners during the convention year. It would seem that the insurance interests of the country should take united action in a move to secure for the men who hold these posts of supervision, a more certain and longer tenure of office. Frequent changes in personnel have provided the chief handicap to efficient administrative regulation of insurance by the states. Certainly no term should be less than four years. The length of time required for the new incumbent to familiarize himself with the duties of his office and the legal background is considerable. Where officers are appointive there should be established a tradition that reappointment shall invariably follow as reward for faithful and efficient service, regardless of the changes in local politics. Continuity in administration is an essential aid to expert supervision. Coupled with too short an average term of office in most states is the characteristic of a grossly inadequate salary."

Report on Disability Is Given

(CONTINUED FROM PAGE 4)

this committee, on that question. However, no company can afford to ignore the danger signals which have arisen; no company should continue to issue any benefit at a loss, and it is not safe to assume that the present rates and present practices will be adequate to meet future requirements after the return of normal economic conditions. Rates and practices must be so adjusted that they will be adequate during a period of depression as well as during a period of prosperity. Therefore, the most favorable point of view that can be presented at the present time is that rates, provisions and practices must all be adjusted to a more conservative basis than that which has prevailed in the past, and that during the ensuing year every means should be exhausted to determine from past experience whether the modified benefit and more conservative practices will result in completely curing the evils which have existed.

Should Have Adequate Facilities at Hand

No company should attempt to issue the income disability benefit unless it is in position to maintain underwriting and claim departments adequate to meet the needs. Furthermore, no company should assume that those departments of the company are now adequate. The work of those departments should be critically analyzed. Each company should investigate the practices of other companies, and an effort should be made to establish a greater degree of uniformity than that which now exists, both in underwriting and in settlement of claims. Regardless of what companies generally may do with respect to issuing the disability benefits, the claim problem is one which remains for all companies now carrying disability coverage. Therefore, the active cooperation of all companies is needed to find the best solution of the claim problem.

This committee believes in the right of every company to answer its own disability problem in its own way. Each company must determine for itself whether it can safely add to its present income disability coverage, on the assumption that the adoption of more conservative practices will bring about a sufficient reduction in the loss ratio to justify the experiment. However, because of the interdependence involved in this problem, the results will continue to be unfavorable even on future issues unless reasonable coverage limits are generally adopted.

As already stated, the company which charges insufficient rates alone suffers the consequences of such action. However, the company which through its action permits an applicant to increase his existing disability coverage to an excessive amount is guilty of jeopardizing not only its own interests, but also

those of the other companies on the risk. Therefore, companies which continue to issue the income disability benefit should take every possible precaution to avoid granting excessive disability coverage. With that in mind, the following practices are urgently recommended.

1. Include in application questions which will bring out adequate information about:

(a) Applicant's earned income.
(b) Present disability coverage including non-can.

2. Use other available sources, such as inspection reports, as a further check on the character and amount of applicant's earned income.

3. Permit no individual to increase his income disability coverage beyond the aggregate of \$6,000 per annum in all companies, even though his earned income may be very large.

4. Limit income disability coverage in all companies on any one individual to a maximum of fifty percent of earned income, or a nominal amount to a young man just entering the earning period of his life.

5. Limit company coverage on one individual to a maximum of \$250.00 per month.

Important Suggestions Made as to Provisions

Because of the lack of adequate data, no definite conclusions are possible with respect to the corrective value of the restrictive measures that have been proposed. Each company management must draw its own conclusions on the basis of the information available. With that in mind the more important suggestions that have been made are reviewed as follows:

1. Limiting the age at issue to 50 instead of 55.

2. Limiting the disability coverage to 55 instead of 60.

3. Extending the waiting period from four to six months.

4. Reducing the benefit from \$10 to \$5 per month.

5. Replacing the present unlimited liability of life indemnity by substituting a definitely determinable liability in some such manner as follows:

(a) Specifying a terminable amount of disability coverage whereby the company accepts, for example, \$10,000 disability liability as a minimum, in conjunction with and in addition to a \$10,000 life policy, and \$10,000 disability protection being payable at the rate of \$100 a month with one hundred months limit;

(b) Specifying that inasmuch as disability indemnity is designed for protection of the economic life of the individual, therefore payments cease when the economic life ceases, which, on the basis of overages, might be considered to be age sixty-five.

6. Adopting the coinsurance principle by using an earnings indemnity pro rate clause which provides a maximum limit of indemnity, establishing, say, a fifty percent ratio of earnings as the maximum for determining the extent of the company's liability.

The past record gives ample evidence that it is the abuse of disability insurance which has brought about the present unfavorable conditions. The benefit, which was originally intended to furnish partial replacement of earned income in event of actual total and permanent disability by reason of accident or disease, has been permitted to cover partial disability to an unreasonable degree, and has been granted with such liberality on the part of companies that in many instances the benefit is, in effect, unemployment insurance. Insufficient consideration given to the matter of reducing income with advancing age has introduced the danger of having the benefit converted into an old age pension. There is, obviously, no way to change or to eliminate the normal, moral delinquencies of the policyholders who make unjust claims or who, because of adversity, are induced to use every available means to maintain a livelihood. Those hazards must be recognized as being inevitable and, therefore, the future practices of companies which continue to issue the income disability benefit must be sufficiently conservative to reduce the moral hazard to a minimum and to give every possible precaution in contract and practice for the elimination of unjust claims.

Guaranty Life service gives agents the necessary attack

In warfare the success of any attack depends on a carefully organized artillery barrage. Days are spent in advance planning during which time all ammunition necessary to keep the guns firing is moved forward.

In life insurance, an agent's attack and success depend on careful planning of each day's work in advance. Backing the life underwriter must be plenty of Home Office ammunition in the form of

sales helps
lead service

direct mail
contests

modern and liberal policies
a sound financial foundation

agency training

experienced officials to whom all problems
can be referred for a rapid decision

All this ammunition and more is given Guaranty Life agents on the firing line who find that Guaranty Life service never falters when needed.

Lee J. Dougherty, President

Guaranty Life Insurance Company

Davenport, Iowa



ALL those many, many factors regarding the policies, principles, equipment, service and treatment given the field force which so appeal to agents are found in the Mid-Continent Life. All explain why this Southwestern company is so popular with its agents and policyholders.

Edwin Starkey, Vice-President

Mid-Continent Life Insurance Co.

Oklahoma City,
Oklahoma

Golf Chairman



JAMES FAIRLIE, Springfield, Ill.
Vice-President Abraham Lincoln Life

YOU CHOOSE

Vested Renewals
Financial Stability
Excellent Territory
Equitable Compensation
Liberal, Modern policies
Constructive Sales Helps
Personal Home Office help
A Company that is forging ahead
Sympathetic understanding of Agents' problems
Accident and Health as well as all forms of life

No matter what you want in a life insurance company you will find your desire answered in an agency connection with

The Gem City Life INSURANCE COMPANY

DAYTON, OHIO

I. A. Morrissett, President, will gladly give you complete information.

The Knights Life Insurance Company OF AMERICA

invites you to visit their modern new Home Office Building which was just recently opened at Ridge and Galveston Avenues, North Side, Pittsburgh, Penna.



THE KNIGHTS
LIFE INSURANCE COMPANY
OF AMERICA, PITTSBURGH, PENNA.

Policy Trends of Year Are Reviewed

(CONTINUED FROM PAGE 8)

tics. They are designed to enable an applicant who feels that he cannot afford to purchase as much insurance as he needs on the ordinary life plan to secure this amount on the new combination plan, meeting the higher cost later on.

Companies are taking more and more interest in insurance for children. Agents are finding that contracts can frequently be made with new families by suggesting the insurance of the children on ordinary plans as distinguished from industrial plans.

More Companies Offering Family Income Policies

Last year a list of 34 companies was given as offering family income policies. This year there are 48. "The most interesting change," Mr. Coler said, "is that so many companies have this year issued this benefit by means of a rider which may be used in connection with other policy forms. When the rider plan is adopted the premiums are reduced at the end of the income period or at some earlier time. To some this means that one of the principal advantages of the original family income plan is no longer available—i. e., a low premium, level for life—thus enabling the insured to carry a liberal amount of protection for his family.

"One of the principal features of the family income plan is that it has placed before the applicant the utility of insurance in the form of income. We thus find uniformly that companies have been able to write a larger average policy on this plan. One company reported an average family income policy of \$6,500. Another company reports the average policy on this form two and one-half times its average on other plans. Another company reports an average of over \$4,500.

"Of course, this policy has the additional appeal of meeting real human needs in that it furnishes at a low premium insurance concentrated at the time of greatest need—that is, while the children are growing."

Insurance Best Way to Provide for Old Age

On the question of old age income, Mr. Coler said:

"It has always been my opinion that the popular policy of the future for the family man may well prove to be a combination of insurance and deferred annuity. At least 12 companies have offered new policy forms on this plan this year. Yet other companies have offered retirement income plans without the insurance feature, the death benefit being an increasing amount with the return of the premiums or in some cases the reserve.

"The fact that many good companies report average policies of \$2,000 and less indicates that a great deal of insurance is being sold to people of small incomes. Until a year ago many life insurance men inclined to the opinion that their clients needed protection more than anything else and that we should sell them as much cheap insurance as possible.

"Many people look forward with distaste to the idea of paying premiums in old age. We should not overlook the fact that the appeal to a selfish reason for taking insurance may result in a net increase in the amount of protection carried by the public. In other words, many men may be induced to carry \$25,000 of insurance because of the fact that with it is coupled an income of \$250 per month for their own old age when, on the ground of death protection alone, they would consider \$10,000 sufficient. I am convinced that insurance provides the best and in many cases the only practicable means for the average man to translate his savings into an old-age benefit.

"If the message of old-age income is

carried as enthusiastically by our army of life insurance agents as the message of protection has been carried in the past, life insurance will go far to ameliorate the situation in the future."

In connection with the growing tendency to grant reduced rates for policies issued in minimum amounts larger than \$1,000, he said: "I hope to see many companies extend the practice of grading premiums so as to give their applicants a quantity discount. If uniformly adopted this practice will permit the sale of insurance at a profit in country districts and it will further promote its sale in the cities by giving the man able to buy \$5,000 or \$10,000 a reduction in premium consequent upon the saving thus available to the company."

In conclusion he emphasized the desirability of taking steps to minimize the danger arising from policy loans and surrenders.

"Times have been so good in this country," he said, "that we have been lulled into a sense of security and have taken no steps to protect ourselves against twisting, adverse selection, and especially against the depreciation of our assets. Now that the demand for loans and surrenders is so insistent, should we not adopt methods of protecting our companies in the future? I believe that a provision in our policies for a surrender charge at all durations is advisable."

Legal Section Holds Two Round Table Discussions

(CONTINUED FROM PAGE 10)

entering the system and being considered an accident. Another forum was conducted with L. A. Stebbins, general counsel Central Life of Chicago, presiding and J. C. Smith, Jefferson Standard Life, giving the paper on "Federal Interpleader Suits."

The last round table discussion was in charge of Vice-president F. V. Keeling of the West Coast Life. There was no set paper but the members commented on present day life insurance law questions.

Chairman May has reappointed the special Oklahoma committee to carry on the work in that state to get conditions as to real estate holding improved. It consisted of F. W. McAllister, Kansas City Life, chairman, Allan E. Bro-smith, Travelers, and W. P. Coler, secretary of the convention.

Conference on Problems in Handling Group Insurance

A conference of those interested in group insurance was held Thursday afternoon with Secretary W. P. Coler of the American Life Convention presiding. Actuary J. D. Craig of the Metropolitan, who is president of the Group Association, and some of the other members were present. One of the facts brought out was that the companies had had an unsatisfactory experience in writing insurance for associations. Although Group Association companies have a very tight definition for their disability clause they find they are imposed on and the business has been written at a great loss. The companies are no longer paying a lump sum and they have cut down the maximum monthly installment to \$25. A committee has been appointed to study this feature further and undoubtedly still further restrictions will be made. It was intimated that only waiver of premium might be granted.

It was further stated that the Group Association companies are not paying disability income to a policyholder unless he has been employed a year. It was found that companies were imposed upon by those who would work three months or so and then suddenly become disabled.

Some of the speakers stated that the smaller groups were much more expensive to handle and the experience was more unsatisfactory than the larger ones because these smaller groups decrease in number.

NEW PLANS TO KEEP BUSINESS ON BOOKS

(CONTINUED FROM PAGE 5)

would rid themselves of persons who embezzle or misappropriate funds. In short, companies are in business to make money for themselves, their policyholders, and their stockholders, and they are more and more ceasing to tolerate those who do not contribute to this objective."

Agency Reporting System Helps Eliminate Floaters

The potential value of the American Life Convention's agency bureau was stressed by Mr. Doolin. He said that many of the member companies reported the cancellation of agency contracts. Companies should give more credence to these cancellations and not assume that they can supply the lacking elements necessary to a salesman's success and hire the outcasts. The avoidance of floater agents would eliminate much poor business which would eventually lapse.

"Selection of agents is related to conservation in one company," Mr. Doolin reported, "by a ruling that it will not contract with the agents of another company unless that agent can show over the signature of an officer of his former company that his renewal record was at least 70 percent."

"Many companies are arranging compensation plans contingent upon persistency. Some companies have devised agents' contracts so that renewal commission payments are based on insurance in force figures. Others are compensating managers or general agents for excellency in persistency—heretofore managers' salaries were for the most part based on production only, and the recent trend is in some respects revolutionary. It is only right that managers should be paid for what you would like them to do."

"During the last year or two a great deal more emphasis has been placed by companies on prospecting. Salesmen are being taught more about qualifying prospects and analyzing needs prior to the sale. There is in all this a conscious effort to emphasize quality production."

"Companies are devoting more attention to training than ever before, partly because it is realized that it takes a real salesman to survive now, and partly because such training should in the years to come procure for the company a satisfactory volume of business of good quality."

Stress Clientele Building and Covering Needs

"Those in charge of training are at the same time stressing clientele building, cultivation of policyholders, how to secure annual premium business, cash with applications, and how to sell to cover needs. This summarily, is the finest type of conservation work because it is conservation at the source."

"In past years companies usually urged salesmen to contact with policyholders. More recently companies have set up definite plans for accomplishing this. The idea that agents should keep in touch with their policyholders is so logical that none will deny its advantages, yet a system sponsored and followed up by the home office is usually necessary for its operation. It is not sufficient merely to tell salesmen to contact their policyholders three or four times a year; they must be shown how and when to make the calls. Companies using such a definite plan report much new insurance written and a great deal of old insurance maintained or restored. A lapse does not usually occur when the grace period expires, but rather when the insured decides he will not pay the next premium when it becomes due. Frequent calls during the year keep insurance sold and obviate lapses."

"There is evidence that the business of ex-agents lapses at a rate twice as high as the business of agents still with the company. Consequently some companies are assigning orphaned policy-

holders to active agents, the assignments being in the form of leads and as additions to an agent's clientele."

"The preparation of special policy jackets, bearing a picturization of the needs that are intended to be covered, seems to have gained prominence during the last year."

"During the last few months the loss of insurance in force from surrendered policies has increased materially. This is doubtless due to the large increase in policy loans during the last two years. Several studies have established that of policies fully loaned approximately 60 percent lapse on the next anniversary. This phase of the problem is important when it is realized that old policies which are surrendered represent a considerable loss of income to a company, since in many cases they are already in the profit-making period. The real money is made from policies on which the company is no longer paying renewal commissions."

"If someone should break into the vaults of a life insurance company and steal bonds, it would make little difference, so far as the face value is concerned, whether he took 3 percent bonds or 6 percent bonds. But from the standpoint of income to the company, it would make a great deal of difference. Therefore the problem of surrendered policies is, in many cases, acute."

Two Remedies for Serious Loan Situation

"There are two things which are being done about this situation, namely, (1) an effective policy loan repayment plan designed especially to replace some equity in fully loaned policies; (2) a plan for rewriting these policies on an adjusted basis."

"Companies are handling the problem of replacing heavily or fully loaned policies in four general ways:

"1. There is a group of companies with one or more special men who interview policyholders personally, attempting to secure loan repayments, or failing that, to rewrite the policy on an adjusted basis, the calculations having been made previously at the home office. These men are on a salary plus expense basis; they have the home office view point in the matter. This plan seems to be quite effective in the companies where it is being used."

"2. Another group of companies is picking out cases with full loans, which may or may not have lapsed, and sending a brief on the case to a general agent or agent, with authority to rewrite. Representatives are allowed to rewrite only those cases on which they receive such authorization. Under this plan, the practices for paying commissions vary somewhat. In some cases companies are paying a reduced first-year commission, plus regular renewals; in others, only renewals are granted."

"3. Still another group of companies, few in number, have let down the bars and allowed agents to rewrite cases at their own discretion. This may be a dangerous practice, and may generate unsatisfactory underwriting practices. Undoubtedly it is best to control the situation by using either the first or second plan outlined above."

"4. Some companies are using an outside organization especially trained for such rewriting and readjustment work."

President J. B. Reynolds, Kansas City Life, who was the first president of the American Life Convention and one of its founders, and a few years ago served as president again, has never missed a meeting of the organization. He is affectionately known as "father of the convention." Mr. Reynolds has his side pocket on his coat cut perpendicularly toward the middle of his left side so that he can conveniently reach it with his right hand.

The annual ball and dance was held Thursday evening.

HOME LIFE

INSURANCE COMPANY

OF AMERICA

PROTECTS THE ENTIRE FAMILY
POLICIES ARE ISSUED FROM BIRTH TO
SIXTY-FIVE YEARS NEXT BIRTHDAY

A comparative statement of the Company's progress during the last ten years shows a remarkable achievement. The premium income has increased by 141.9%; the admitted assets have shown a gain of 492.2%. The policy reserves for the protection of policyholders have expanded by 545.6%; and the insurance in force has increased 152.6%.

OVER ONE HUNDRED AND FOUR MILLIONS
IN FORCE
A POLICY FOR EVERY PURSE AND PURPOSE
INDEPENDENCE SQUARE PHILADELPHIA, PA.

A Damphool Beaver

"Time" Magazine recently said: "At Arietta Game Preserve in Northern New York, a keeper tied a clothes line to a black cherry tree. A beaver wanted the tree for a dam, chewed it close to the ground, dragged it as far as the line permitted. Then instead of biting off the line, as it could have done with one chop of its four big flat front teeth, the beaver gnawed through the tree twice more, once just above the rope girdle, then just below; carried the two tree sections away, left the tethered bit behind."

"A damphool beaver," says you. To get the same amount of work he made two trips to the dam instead of one and gnawed through the tree three times instead of once. That's not showing intelligence. Granted. But don't we often show just as much?

The Minnesota Mutual's Organized Sales Plan is helping to cut out superfluous motion which has more or less likened all of us to the beaver. Here's how it has worked in two Agencies:

| | Monthly Production 1st Agency | 2nd Agency |
|-----------------|----------------------------------|------------|
| January | \$ 34,000 | \$ 59,500 |
| February | 34,500 | 49,250 |
| March | 36,500 | 46,000 |
| April | 35,000 | 76,500 |
| May | 33,250 | 78,750 |
| Plan Adopted | | |
| June | 67,250 | 108,000 |
| July | 286,000 | 213,500 |
| August | 258,500 | 173,250 |
| September | 279,480 | 230,640 |

Obviously lost motion has been largely eliminated.



THE MINNESOTA MUTUAL
LIFE INSURANCE COMPANY

SAINT PAUL



1931

Broadcast Effect of Revolutionary Laws, Says Banker

The policyholder's attitude was explained by L. E. Wakefield, president First National Bank of Minneapolis, at Thursday's session. He said that the banks and insurance companies have much in common as they are entrusted with a large part of the public's emergency store to be drawn upon in case of need or for dependents in case of death. The lack of confidence which is found throughout the whole fabric of business, he said, is but the natural emotional reaction of the business community to the encroachment of the government in the field of business. The investments of insurance companies are tied up closely with large corporations and those seeking strict governmental regulation are injuring the policyholders and depositors of banks and insurance companies as well as the stockholders.

Companies Should Inform Policyholders of Situation

Mr. Wakefield urged that life companies join together and undertake to keep their policyholders informed concerning these problems wherein their mutual interests are so vitally concerned. After all, the responsibility for the economic welfare of this country rests with its citizens, but if the citizens are to act intelligently they must know in which way their interests lie.

"Does the average policyholder know that 45 percent of the obligations of the American railroads are held by life insurance companies and savings banks of the mutual type? Milton Harrison, president Security Owners Association, says that is the case. He points out that these mutual organizations have no stockholders and are owned by their policyholders and depositors and therefore the ownership of these securities is just as directly vested in those people as though the securities were locked in their safe deposit boxes.

Give People Facts on Revolutionary Experiments

"The insurance companies are in the most strategic position to undertake the organized, intelligent distribution of the facts in the situation. Give the American people the facts and they will turn back these forces of revolutionary experimentation which would destroy the foundations upon which this nation was built, and without which it would speedily collapse.

"In conclusion, let me briefly summarize my thoughts: 1. Maintenance of property values is of first importance to a large majority of the country's population. 2. These values are now largely represented by corporate securities. 3. Therefore the people themselves are vitally interested in the welfare of incorporated business. 4. If they knew this, the fashion of attacking organized business in order to win political popularity would soon go out of style. 5. Hence our task is to give the people the facts. 6. This duty falls primarily upon the banks and insurance companies, because they are the trustees of the wealth of the greatest number of people."

THE NATIONAL UNDERWRITER

LIFE INSURANCE EDITION

Published Every Friday by the
NATIONAL UNDERWRITER COM-
PANY, Chicago, Cincinnati and New York.
C. M. CARTWRIGHT, Managing Editor.
PUBLICATION OFFICE, Insurance Ex-
change, CHICAGO.

Entered as Second-Class Matter, February
24, 1900, at Post Office at Chicago, Illinois,
under Act of March 3, 1879.

Subscription Price \$3.00 a year; in Canada \$4.00 a
year; Single Copies 15 Cents.

Aviation Committee Report

(CONTINUED FROM PAGE 9)

Under the record of violations \$10 additional premium is recommended as a result of one warning or reprimand, and \$20 additional is recommended where there have been two warnings or reprimands. If the record of violations has been more serious a declination of the risk is suggested. The record of accidents has been considered to recommend an additional premium of \$2 for one minor accident not assignable to ability or character of the pilot and \$5 additional premium as a result of two minor accidents not assignable to ability or character.

Where one or two minor accidents in which a considerable part of the cause is assignable to ability or character have been found to exist, the additional premium recommended is \$20, and declination of the risk is proposed on account of any other accident record.

Poor Judgment Penalized by Extra Premium

Where the judgment of the pilot is found to be excellent no additional premium is proposed, but where it is found to be good the extra premium recommended is \$2, and where judgment is only fair the extra premium suggested is \$10, and declination is recommended in event judgment is found to be poor. The same additional premiums are proposed in regard to the technique of the pilot as to whether it is excellent, good, fair or poor, and the same schedule of

extra premiums also holds true as respects similar degrees of other mental and moral characteristics of the pilot applying for insurance.

The investigation of the committee in determining the proposed premium charges disclosed that the group of transport pilots annually flying between 50 and 499 hours showed the best mortality, and that there is a definite improvement in mortality among pilots having more than 500 total hours in the air, with every indication that this improvement continues in each subsequent group.

Mortality Increases Over 500 Hours a Year

For that reason the committee selected the arbitrary number of 4,000 flying hours as the maximum total desirable experience, as it seemed wise to set so high a classification with an eye to the future when a much larger group of pilots than at present will have that amount of experience.

In connection with the investigations in regard to mortality, the committee also found that there was a definite increase in mortality for any grouping of pilots with as much as 100 hours in excess of 500 hours a year but the benefit of the doubt in the schedule of ratings was given pilots flying between 500 and 750 hours a year where it is done under the supervision of qualified flight personnel.

Three Sections Heard Thursday

(CONTINUED FROM PAGE 4)

tions that in the past had not been advertised had seen its advantages. The New York Life, he said, has just started a series of radio broadcasting features.

Mr. Arnold said that the agency system in life insurance has been effective but its scope is limited. Life insurance, he declared, is not sold to the public on a comprehensive, national campaign. Too much work is loaded on the agent. People should be educated, he declared, as to life insurance benefits. This he thinks, should be done through mass methods by advertising.

Licklider to Draft Plan for Advertising Section

At the business meeting following the luncheon it was decided to ask J. P. Licklider, Missouri State Life, to draft a proposed plan for an advertising section and present it to the American Life Convention executive committee at its meeting in New York in December.

At the afternoon session Thursday the aviation committee, of which Dr. L. G. Sykes, Connecticut General, is chairman, presented its report. Dr. Sykes introduced F. S. Prothero of the aviation division of the Travelers, who gave the features of the report. Another valuable paper of the afternoon was given by Harry A. Hopf, New York City, well known efficiency, management and planning expert, who gave some valuable statistics and presented them in titles. His talk was illustrated with lantern slides.

President Robbins presented Executive Vice-President Walter E. Webb, National Life, U. S. A., chairman program committee, who did most excellent work in arranging the speaking schedule.

CONVENTION NOTES

Harry Cole Bates of the legal staff of the Metropolitan Life, secretary of the Association of Life Insurance Counsel, was present to represent his organization.

C. G. Arnett, president Inter-Southern Life, attended the meeting this year. Vice-President W. W. Moore was on hand, he being the regular delegate from that office.

Life Insurance Stands Out Alone

(CONTINUED FROM PAGE 6)

"Let us not be too concerned about the situation. When public confidence in banking is again restored deposits will flow in to those institutions and a more liberal policy in regard to small loans can be pursued than is at present possible. With the inevitable return of prosperity which has already started and will, I firmly believe, be more apparent as the new year comes on, we will find that policy loans are decreasing and eventually will be back to their normal figure.

"As an institution, the American Life Convention has had a satisfactory and prosperous year. It would be repetition for me to review it here. The convention has stood firmly for the necessity of proper principles and management of life insurance companies; has stood firmly against any stock jobbing schemes and manipulations of stock in the ownership of life insurance companies.

Monthly Income Not a Property Life Insurance

"For some years the matter of total and permanent disability benefits has been receiving the earnest consideration of the convention. It seems to be apparent that this benefit was enlarged and its provisions extended to an unsafe degree by life insurance companies. The monthly payment per thousand on total disability claims is, to my mind, not properly a part of a life insurance policy. It should be left to health and accident companies, who are especially equipped to handle claims arising under such provisions. It has been inevitable that during the period of such profound financial depression as we have been experiencing that claims should multiply, just as fire insurance company claims multiply during such periods. Border line cases will always find sympathetic juries in event that the company resists the claim, and the result has been that premiums charged have been utterly inadequate for the payments which must be made under this provision.

"Under the aggressive and competent management of Lee Parker the American Service Bureau has continued its

Systems Reviewed by Neuendorffer

(CONTINUED FROM PAGE 5)

ing the policy free and clear. If a policyholder is only temporarily hard pressed and cannot meet his premium within the days of grace but within a number of months will be able to pay the premium in full with interest, such a policyholder should be the last person to receive the advice to apply for either a premium loan or a policy loan in a larger amount. His financial problem is not one of funding a debt but of a temporary accommodation, and he should be furnished with an extension agreement or a short term note which will extend the payment of the premium for as many months as necessary and forestall the funding of a permanent debt.

"2. To keep loans at a minimum amount sums up a series of activities consisting in having a premium loan applied for rather than a larger loan; a minimum loan rather than a maximum loan, and a maximum loan rather than a surrender. It also involves all efforts toward loan repayment which are still experimental in their nature and the best method as to which we probably have not as yet evolved. While it is well from the point of view of the general welfare of policyholders to have all policyholders repay their loans in part or in full as soon as possible, contacting with them individually has its difficulties and from the point of view of conservation, the selective servicing principle probably marks a line of improvement that may well be followed up.

Canadian Companies Make Much Progress in Salvaging

"3. The Canadian companies have particularly made progress along the lines of salvaging insurance by timely rewriting. The successful application of the plans in operation among the Canadian companies are a peculiar illustration of the principle of selective servicing of policyholders, and with suitable adaptation by the United States companies, they are bound to be helpful.

"4. Reinstatement is probably the best developed field, since it was the earliest and the easiest. In accordance with the policy contract, a policy either lapses upon non-payment of the premium or it continues as paid-up insurance or extended term insurance, or is surrendered for cash or loan, the loan value having become exhausted. These various contingencies are in reinstatement practice covered by letters of notification to the policyholder as to what has happened to his policy and suggestions to him for reinstatement either with or without the necessity of a cash outlay. This work calls for a series of letters covering the numerous contingencies and a series of suitable follow-up letters together with the active cooperation of the agency where it can get in touch with the policyholder. It involves a vast amount of correspondence and figuring, the effectiveness of which frequently depends directly upon the speed and efficiency with which the correspondence is conducted."

career of usefulness. From having been a liability to the convention and member companies, it has shown such a prosperous growth that on Sept. 1 it showed a surplus of over \$90,000. Every member company has been repaid in full the amount of advances and loans to the bureau. If member companies would all take advantage of the bureau and place their inspections with it wherever possible, the extent of its operations and service could be substantially increased and material contribution made to the convention itself. It deserves continued and increasing support of all the members."

Walter F. Seny, one of the counsel of the Southland Life of Dallas, was the speaker at the luncheon given the Legal Section Monday. He is quaint and droll, having much the manner of expression and style of Will Rogers.

"The Friendly Company"

The Unlived Years

THROUGH Life Insurance and only through Life Insurance can a man capitalize the unlived years of his life on the basis of his annual earning power. No business but Life Insurance can guarantee that annual earning power.

This company is built with a corner stone of integrity and a sincere wish to be of service to humanity. Friendly service and cooperation are given to the utmost. If you are interested in such a profession it will pay you to be friendly with the

Peoples Life Insurance Company

"The Friendly Company"

FRANKFORT, - - - INDIANA

Gain in Insurance in force for 6 months ending June 30—20%

General Agency Openings in Ohio, Indiana, Iowa, Illinois, California, Michigan, Arkansas, Kentucky, Tennessee & Texas

— ADDRESS THE COMPANY —



“ . . . and from now on



it's

SECURITY

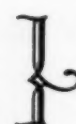
for

LIFE

for me !”



Representatives for Permanent Appointment
Being Selected



Security Life Insurance Company
OF AMERICA

Executive Offices - One Thirty Four North La Salle Street - Chicago